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The burned-out post office in Birmingham's Handsworth district after rioting by youths.

Rioting in Britain's 2d-Largest City Leaves 2 Dead, at Least 32 Injured

BIRMINGHAM — At least two persons were killed and 32 were injured in overnight rioting in Britain's second largest city in the worst urban violence in the country in four years, police said Tuesday.

Angry youths pelted Home Secretary Douglas Hurd with stones and bottles when he toured the riot area as violence continued Tuesday afternoon.

Two bodies were found in a burned-out post office.

Mr. Hurd, the country's chief law enforcement officer, arrived to inspect the smoldering damage on Lozells Road. He was pelted with bottles and stones when he tried to speak to a crowd of black youths.

Police hurried him away in a police van. The crowd then turned two other police vans, overturned one of them and set it ablaze as the other raced away. Two other cars also were overturned as the rampage continued.

Neither Mr. Hurd nor Geoffrey Dear, the West Midlands chief constable accompanying him, was injured. A television cameraman ran from the scene, his head bleeding

after he was struck by a thrown object.

Twenty-three police officers and six firefighters were injured in the riot, some seriously, a spokesman for the West Midlands police said. A bus driver was hurt when his vehicle was attacked and two other people were wounded, the spokesman said.

Police said the rampage was the worst urban violence since 1981, when riots broke out in slum areas of Liverpool and London.

Prime Minister Margaret Thatcher, on a tour of Scotland, called the riots "utterly appalling" and demanded action by police and community leaders to prevent further violence.

More than 50 buildings in the district were burned out, Mr. Dear said. He said that most of the rioters were members of the black immigrant community from the Caribbean.

Ray Newell, a police spokesman, said the violence began Monday afternoon when a police officer stopped a black motorist to question him about the tax sticker on his windshield.

As he tried to arrest him, the officer was surrounded by about a hundred black youths and a second officer arriving on the scene was knocked off his motorcycle, Mr. Newell said. As more police arrived, the violence spread.

Witnesses said that gangs of black and white youths carried goods away from smashed shops in shopping carts and cars.

Birmingham and the surrounding West Midlands area, the heart of Britain's industrial district, have borne the brunt of Mrs. Thatcher's tough fiscal measures and the challenges from growing foreign industries, especially the auto industry.

Unemployment is 20 percent, seven points above the national average, and 29.9 percent in the poor inner city areas hit by Monday's rioting.

The opposition Labor Party condemned the violence but said that high unemployment and disillusion among the young were to blame.

"I think we have got to commit ourselves to renewal of opportunities for youngsters," said Neil Kinnock, the Labor Party leader.

Rightists Win Vote In Norway

Coalition Holds One-Seat Edge In Parliament

By Stephen H. Miller
The Associated Press

OSLO — Prime Minister Kaare Willoch's three-party coalition edged its way to a one-seat victory Tuesday in the closest general elections in Norway since World War II.

Mr. Willoch, who campaigned on promises to protect Norwegians from higher taxes and inflation, thus becomes the first Conservative in this century to win a second term as prime minister.

Officials said that with 99.9 percent of the three million ballots counted, Mr. Willoch's coalition had won 78 seats and the socialist opposition, led by the Labor Party, had won 77 seats in the Storting, the Norwegian parliament.

"The Labor Party has come back with new strength and the government is weaker," said Gro Harlem Brundtland, the leader of the socialist coalition, who appeared with Mr. Willoch on television.

Labor, Norway's largest single party, gained five seats for a total of 71. Its supporting Socialist Left Party, which opposes the North Atlantic Treaty Organization, held six for an increase of two.

The small Liberal Party, which backed Mrs. Brundtland, lost its two seats and had to forfeit its representation in the Storting for the first time in its 101-year history.

Mr. Willoch's Conservative Party won 50 seats, three fewer than it formerly held. The allied Christian People's Party gained a seat for a total of 16, while the Center Party also gained a seat and now holds 12.

The result left the small anti-tax Progress Party, whose extreme conservatism is outside the mainstream of Norwegian politics, theoretically able to block coalition legislation with its two seats.

But the party leader, Carl I. Hagen, a 41-year-old business consultant, promised during his campaign that it would not topple the Willoch coalition, even if the election outcome permitted it.

Before the election, Mr. Willoch's coalition had controlled 79 seats, the socialist group 72 and the Progress Party the remaining four. Two new seats were added for Monday's elections to reflect population growth near Oslo.

Mr. Willoch, 56, a former trade minister, had campaigned largely on economic issues, telling Norwegians that his coalition had put the country "on the right course" after what he called Labor mismanagement.

Mrs. Brundtland, 46, a medical doctor who served nine months as Norway's prime minister in 1981, promised to triple government spending on health and social welfare programs.



Prime Minister Kaare Willoch, left, is congratulated by Gro Harlem Brundtland.

Reagan Sanctions, New Language Seem to Signal Major Shift in Policy

By Bernard Gwertzman
New York Times Service

WASHINGTON — President Ronald Reagan made his decision to impose limited sanctions against South Africa in order to avoid foreign policy disarray abroad and political humiliation at home, administration officials said.

They acknowledged that in adopting for the first time a set of modest punitive steps to press South Africa to renounce apartheid, Mr. Reagan was shifting away from his off-declared policy of "constructive engagement" to a new approach he called "active engagement."

Behind the change in language lay what appears to be a significant shift in policy. With a straightforward statement Monday from the president, the administration appeared to be switching from a policy of passive, sympathetic encouragement toward one of active pressure on Pretoria.

With this shift, Mr. Reagan altered views he has held for his entire presidency and, indeed, throughout his political career. But

senior advisers said that any appearance of indecisiveness that might be created by Monday's action was the least damaging of the alternatives that were offered the president during the behind-the-scenes discussions last week.

In describing the administration discussions, the officials said that if

pending legislation. The officials said that doing that would have been viewed in Washington as a capitulation by Mr. Reagan and raised questions abroad about who was directing American foreign policy, the Congress or the White House.

Thus last Friday, the decision was made by Mr. Reagan to accept a consensus proposal that was backed by Secretary of State George P. Shultz, Robert C. McFarlane, the national security adviser, and Donald T. Regan, the White House chief of staff, that he accept most of the pending legislation, making modifications in some cases, and accompany this with a firm statement pressing South Africa to end its apartheid policy.

By doing this, the advisers told him, there was a good chance that the Republican leadership in the Senate would not push the sanctions bill to a vote, allowing Mr. Reagan to emerge stronger politically and be seen abroad as in charge of foreign policy.

The immediate strategy worked. (Continued on Page 2, Col. 7)

It would also have sent contradictory messages abroad, with neither the South African whites nor blacks certain what was the intent of U.S. policy.

The impression inevitably would have been created that Mr. Reagan supported the apartheid policy, officials said, even though the administration had repeatedly spoken out against the racial separation laws.

The administration also decided against a blanket acceptance of the

EC Bid For Curbs Blocked

U.K. Prevents Unified Stand On South Africa

By Steven J. Dryden
International Herald Tribune

LUXEMBOURG — European Community foreign ministers attempted Tuesday to impose a limited package of sanctions on South Africa, but unanimous agreement was blocked by Britain, EC officials said.

Britain objected to several measures accepted by the other nine member nations, including the withdrawal of military attaches from South Africa, said Malcolm L. Rifkind, the British minister of state for foreign affairs.

Mr. Rifkind said that more time was needed to study the implications of a number of the sanctions. He rejected suggestions that Britain's move would send the "wrong signals" to the South African government. He said that Britain was already applying several sanctions against Pretoria.

While Britain's opposition prevented an agreement, the nine other member nations — plus representatives of Spain and Portugal — said they would implement punitive actions and hoped Britain would change its mind.

The sanctions agreed to by nine EC foreign ministers included a ban on domestic oil sales to South Africa, new nuclear cooperation agreements, transfers of arms to paramilitary forces, the sale of electronic equipment such as computers for military purposes, and the discouragement of certain EC scientific and cultural activities in South Africa.

The ministers did not discuss imposing full-scale economic sanctions, such as halting all bank loans or severing all trade, according to officials from several delegations.

Hans-Dietrich Genscher, the West German foreign minister, said after the meeting that his country, which has opposed imposition of extensive sanctions against South Africa, will abrogate its cultural agreements with Pretoria and enforce stricter controls on arms sales to paramilitary forces.

The proposed oil embargo was not expected to have much effect on South Africa, officials said. Only a small amount of oil that is

Japan Posts Another Big Monthly Trade Surplus

TOKYO — Japan posted a \$3.53-billion trade surplus in August as its exports continued to increase and its imports kept declining, the Finance Ministry reported Tuesday.

The surplus was down from Japan's record monthly surplus of \$5.02 billion in June and from \$4.60 billion in July.

But the 15.3-percent decline in imports, compared with August 1984, came at a time when Japan was under pressure from its trading partners to buy more foreign goods to help cut the continued trade surpluses.

Imports totaled \$10.33 billion,

while exports grew by 4.1 percent from August 1984 to \$13.86 billion.

For the first eight months of the year, Japan's surplus amounted to \$25.8 billion, less than the \$17.8 billion recorded from January to August 1984. The surplus for all of last year amounted to \$33.6 billion.

Under pressure from the United States, the Japanese government is working out a series of measures to expand domestic demand, increase imports and bring trade closer to a balance.

This follows a recently announced "action program" aimed at opening Japan's market wider to foreign products.

On Saturday, President Ronald

Reagan said that he had decided to carry out countermeasures against Japan if it did not stop "unfair trade practices" regarding cigarettes, leather and leather shoes.

But Japanese officials said that it would be extremely difficult for Japan to meet Mr. Reagan's demands because of politics and Japanese law.

Meanwhile, the Kyodo News Service reported that Prime Minister Yasuhiro Nakasone had summoned senior officials of the government and his ruling Liberal Democratic Party to start a series of meetings on how to improve rapidly deteriorating trade relations with the United States.

In trade with the European Community, Japanese exports rose 5.3 percent in August to \$1.58 billion while imports declined 0.8 percent to \$1.125 billion, leaving a Japanese surplus of \$767.84 million, down from \$879.20 million in July.

Exports to the Middle East were up 2.5 percent to \$966 million but imports dropped 29.6 percent to \$1.10 billion, leaving Japan with a \$1.14 billion deficit.

Japan ran a \$509.64 million trade surplus with China, down from \$698.42 million in July. Exports to China rose 85.9 percent to \$1.06 billion.

China Takes New Approach to Filling Ranks

By Daniel Southerland
Washington Post Service

SHENYANG, China — China's leader, Deng Xiaoping, is looking to men half his age for leadership and new ideas.

Li Changchun, 41, the Communist Party chief in the north-



Li Changchun: The New Generation

Deng's China The New Communists

Second of three articles

eastern city of Shenyang, represents the new type of leader whom Mr. Deng and his colleagues in Beijing are trying to promote.

In Shenyang's Communist Party headquarters, Mr. Li's aides use an Apple computer to keep track of proposed candidates for party and government jobs.

The party, Mr. Li said, is experimenting with new methods of selecting such candidates.

The fact that Mr. Li will even discuss the party's methods of selecting such candidates and its use of a U.S.-made computer represents a new approach. A few years ago, party secretaries were not in the habit of talking with foreign reporters. Senior party officials in Beijing recently declined to be interviewed.

Mr. Li became the Communist Party chief of Shenyang in April. He took over a party committee whose 13 other members each average about 47 years old. Most of them have college-level educations.

The new appointments were part of a nationwide series of promotions aimed at bringing younger, better educated officials into leadership positions. The aim of the party was to retire by mid-summer older leading officials in Beijing and the provinces to a level where 70 percent of such officials were under the age of 60.

In keeping with its more youthful image, the party is also encouraging people outside the party to propose their own candidates for city jobs.

Personnel departments in various units have been asked to submit names for consideration. At the same time, the city of Shenyang advertised for qualified candidates in local newspapers. Ap-

plicants were given a basic knowledge test and another one in their field of expertise. The city then named 44 young leaders to senior city jobs.

An official national weekly magazine, Outlook, praised the city for this effort. In the past, Outlook said, many city government bureau chiefs and department heads rose to their positions simply because they were next in line for promotion.

Or, it said, the city party chiefs, whose job it is to select leaders, nominated these people for their jobs not because of their competence but because of their political reliability and willingness to obey instructions.

The magazine might also have added that promotions came to some officials because they were well connected personally with higher-ranking officials.

Despite its image as a city in the forefront of the country's economic reforms, Shenyang faces some of the same problems that have traditionally plagued Chi-

nese governments, both Communist and non-Communist. One of those problems is corruption, which seems to be less rampant here than in the south or in the coastal cities but which is nevertheless a problem.

According to Mr. Li, one aspect of that problem has been party and government officials who in 70 cases since the end of last year decided to make the most of the more liberal economic atmosphere created by the reforms and go into business for themselves.

With no assets other than their briefcases, these cadres ended up interfering with the reforms in their efforts to make private profits. Mr. Li said, and their "briefcase companies" had to be shut down.

None of the experimentation in Shenyang means that the Communist Party is deliberately loosening its grip on power either in Shenyang or elsewhere. The party's power, either to make appointments or to influence them,

is one of the last it would ever give up.

In Shenyang, most of the newly appointed officials are Communist Party members. Of six deputy mayors, only one was not a party member, Mr. Li said.

During an hour-long interview, Mr. Li displayed a relaxed self-confidence. He answered questions concerning his own career and methods used to recruit and promote officials.

When it came to sensitive questions such as the disciplining of party officials who had engaged in illegal activities or the prominent military region commander, whom Beijing last recently replaced in his job, Mr. Li answered smoothly and without hesitation.

Shenyang is clearly not an easy place to govern. A grim city full of smokestacks, it is overcrowded and frozen half the year.

Perhaps because of the harsh climate, the people, who have a reputation for being hard workers, do not take easily to change or to reforms proposed by Beijing. The idea of giving up the old guaranteed subsistence system of wages for one based more on profits, incentives and productivity does not appeal to everyone.

Mr. Li denied that corruption was a major problem among Communist Party officials in Shenyang, but he listed a number of "unhealthy tendencies" that needed to be fought at the end of last year. Those activities were similar to those that seem to be in evidence elsewhere in the country.

In addition to those cadres who illegally opened private businesses, Mr. Li said, some other officials engaged in "bureaucraticism." Two cadres had been removed from their positions last year, he said, for causing "great losses to the state." He did not elaborate on how the two had damaged the state.

The approach to corruption among Communist Party officials seems to be a matter in Shenyang, as elsewhere in the country, of discipline being handled within the party itself.

Some foreign observers, including diplomats, argue that corruption is less serious a problem here than it is in some other parts of Asia. But some argue that unless it is better controlled, corruption will do great damage.

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TOMORROW

The battle for control of the U.S. Senate in 1986 has begun to take on a new look.

Plot Shows Thailand's Fragility

But Solidarity of Military Helped to Doom Coup Attempt

By Barbara Crossette
New York Times Service

BANGKOK — Only last week, the Thai Foreign Ministry brought together a group of local reporters and foreign correspondents at a resort on the Gulf of Siam to talk about the country's image.

Thailand, the officials said, was a developing country struggling toward democracy. It was a country mentioned on the east by the Vietnamese war machine in Cambodia. Its economy was being battered by falling commodity prices and rising protectionism abroad. Its evolving civilian government was under constant pressure from an entrenched military establishment.

In short, Thailand needed sympathy and understanding from those who reported on it, the journalists were told.

On Monday morning, one of those correspondents died in a burst of shrapnel in central Bangkok, one of the victims of an attempted military coup. The damage to the country's carefully nurtured image was self-inflicted.

"We can never really be sure about Thailand," a Malaysian scholar said recently. "It is our line of defense against the Vietnamese, but its military officers seem to be more interested in politics."

It may not be known for some

time what really happened on Monday, or how deep the roots of this coup attempt go into the history of military dictatorship in Thailand. The country has had 16 coups or attempted coups since a military government replaced the absolute monarchy in 1932, and the attempted takeover Monday bore hallmarks of former seizures of power. The movement toward a civilian political system is recent.

But it is possible that Monday's abortive takeover of the government of Prime Minister Prem Tinsulanonda was a last gasp of a disaffected officer class that was also thwarted in an attempt to grab power four years ago. Certainly on Monday the solidarity of the country's military command structure was a major factor in the rapid defeat of the plotters.

Another factor was the self-confident, almost casual way the spokesmen for the military dealt with the public, reassuring the Thai people all day on television and radio that everything was under control, and chiding the coup plotters for their inappropriate way of dealing with the acknowledged problems of this country.

Thailand's expanding profes-

sional and academic class has frequently expressed concern that the steady movement toward a civilian government over at least five years was sooner or later bound to provoke a response from a military establishment, or factions of it, that sensed its power was being whittled away.

But those fears might have been reduced, politicians and commentators say, had the government been stronger and more combative in the face of the military challenge. Last autumn, when rumors of an impending coup circulated with some regularity, Mr. Prem fell ill and spent several weeks away from his duties.

His absence prompted Kukrit Pramoj, Thailand's elder statesman and Mr. Prem's strongest civilian political supporter, to suggest in an interview that the head of government might be "too sensitive to be a really daring prime minister."

"He works very hard, but I don't think he can tolerate criticism," Mr. Kukrit said. But he, like others, never expressed doubts about the prime minister's commitment to seeing the democratic process through.

"If we can get through the next election, in 1987," Mr. Kukrit said, "then I believe democracy will come to stay."

NEWS ANALYSIS

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Thailand's expanding profes-

Thai Plotters Said to Flee; Probe Begins

By Barbara Crossette
New York Times Service

BANGKOK — The leaders of Monday's unsuccessful military coup in Thailand were reported Tuesday to have fled the country, while the Thai government set up a committee of police officers to investigate the incident.

The supreme military commander, General Arthit Kamlang-ek, who returned abruptly Tuesday from a European tour, deflected questions about why no military officers were involved in the investigation.

It was reported Tuesday that the accused leaders of the coup, a dismissed army colonel and his brother, a former air force officer, had been allowed to flee the country in return for their surrender and the release of the head of the Thai Air Force, whom they were said to be holding at gunpoint.

The former officer named as the instigator of the coup attempt, Manoon Roopkachorn, was reported by military officials to have been flown to Singapore with his brother on Monday evening on a Thai Air Force plane, following his surrender at midday.

The escape was reported to have been arranged through negotiations sanctioned by the king, who is always a silent power behind political developments in Thailand. Civilian politicians have begun to raise questions about why Colonel Manoon was not arrested.

[Three leaders of the coup attempt are in Singapore and have asked for political asylum in the United States. The Associated Press in Washington reported the State Department was announcing Tuesday, Bernard Kalb, the department spokesman, said that the Reagan administration was reviewing their applications. He did not identify the three leaders.]

In addition to conducting a formal inquiry, the government of Prime Minister Prem Tinsulanonda is allowing the Bangkok press to pursue its own investigative reporting of the incident, free of censorship. Reporters say this marks a significant change from other periods of national emergency.



Relatives of a Shiite freed Tuesday hoisted him to their shoulders in Tyre.

Israel Releases Last 119 Lebanese; Freeing of 2 Frenchmen Seen Likely

United Press International

BEIRUT — Israel released its last 119 Lebanese prisoners from the Atlit prison on Tuesday, and the Shiite Muslim militia Amal said it had cleared the way for two Frenchmen kidnapped in Beirut to go free "soon."

Wearing jogging suits issued by their captors, the prisoners crossed into Lebanon at the border checkpoint of Rosh Hanikrah, where they were met by Red Cross officials.

The group, which included Palestinians, were among the more than 700 whose freedom was demanded in June by the hijackers of a Trans World Airlines jet.

"The 119 released today were the last prisoners the ICRC visited in Atlit," said a spokesman for the International Committee of the Red Cross in Beirut. "We will doubtless inform the Amal movement of this fact."

Some reports had said that three prisoners would remain in Israel.

The former detainees rode through the villages of southern Lebanon in a column as residents tossed rice. Some Shiite militiamen thrust weapons into the captives

hands while others fired into the air.

"If these are the last Lebanese prisoners, Amal understands that the two Frenchmen will be released soon," said Ali Hamdan, an Amal spokesman.

The Amal spokesman refused to provide more details, but sources in the militia said they would be released within 48 hours.

Jean-Paul Kauffmann, 41, a correspondent for the French news weekly L'Evenement de Jeudi, and Michel Saurat, 37, a researcher at Beirut's Institute for Middle East Affairs, were kidnapped May 22 as they drove from Beirut International Airport.

Mary Saurat, Mr. Saurat's wife, said that an Amal official had told her that her husband would not be released Tuesday, but "in the next two days."

Nabih Berri, the Amal leader, contacted the French Embassy in Beirut while the release was under way, but officials declined to give any details of the talks. An embassy spokesman said he had no information about the two Frenchmen.

Two French diplomats, seven Americans and a Briton also are missing in Lebanon, but Amal offi-

cials said they were not part of the "arrangement."

Mr. Hamdan said Tuesday that Amal did not know which group was holding Mr. Kauffmann and Mr. Saurat, but had agreed in June that they would be freed when Israel released the last of 1,000 Lebanese prisoners.

Amal sources have said the Muslim fundamentalist Hezbollah movement was holding the two men, but officials of the pro-Israeli movement refused comment on the reports.

Israel transferred about 1,000 detainees to the Atlit prison near Haifa as it was withdrawing from Lebanon in April. The United States and the Red Cross protested the move as a violation of an international agreement.

Israel has gradually released the prisoners over the last two months, maintaining that no deals were made with the United States or with the militiamen who hijacked the TWA plane to Beirut.

Meanwhile, Syrian observers tried to patch together a cease-fire in the Palestinian refugee camp Burj al-Brajneh in southern Beirut, where sniper fire continued throughout the day.

Beirut Shiites Meet With Palestinians

New York Times Service

BEIRUT — Lebanese Shiite and Palestinian leaders met here Tuesday in a new effort to end a week of fighting around a Palestinian camp in southern Beirut.

Nabih Berri, leader of the Shiite Muslim militia Amal, held talks with delegates from the Palestine National Salvation Front who came from Damascus to try to end violence at the Burj al-Brajneh camp in which 40 persons have died and 130 have been injured.

Amal fighters and the Palestinian defenders of the camp, which has a population of about 35,000, continued to exchange sniper fire Tuesday despite agreement on a new cease-fire.

The two sides posted observers in five outposts around the camp.

Amal and the Palestinian front provided 10 observers each, and one Syrian Army officer was deployed in each outpost.

The Damascus-based front consists of six guerrilla factions opposed to the Palestine Liberation Organization chairman, Yasser Arafat. In June, the group reached agreement with Amal on measures that ended almost a month of artillery and rocket exchanges in and around Beirut's three Palestinian camps — Sabra, Chatila and Burj al-Brajneh.

Syria, which backs the front against Mr. Arafat, sponsored the accord and sent a number of army officers to Beirut to supervise its implementation.

A member of the delegation, Fadel Shurouf, said after the meeting with Mr. Berri that the Palestinians

were still observing the provisions of that agreement.

Tuesday's accord, the fourth since arranged near Burj al-Brajneh in a week, was broken almost immediately.

Much of the friction has been attributed to a war of words between Amal and the Palestinians. In statements to the media, each side has accused the other of responsibility for the continuing violence.

Amal maintained that pro-Arafat elements in Burj al-Brajneh were keeping tensions high, while Palestinian statements asserted that Amal was conducting a campaign to force the Palestinians to flee the camps so that no Palestinians would remain in Beirut's most Shiite southern suburbs.

U.S. Expected to Deny F-15 Jets to Saudis

(Continued from Page 1)

would sell the additional F-15 aircraft.

Saudi sources said that the administration subsequently had informed them of a delay because of the Middle East arms review begun in January, but assured them that the aircraft would be supplied eventually.

A briefing on the study given to three House committees in July argued strongly in favor of continued arms sales to the Saudis because "Saudi Arabia is the only country in the Gulf region which is both friendly to U.S. interests and capable of playing an important regional role."

When the Carter administration

first proposed selling 62 F-15 fighters to Saudi Arabia in the late 1970s, Israel and its supporters in Congress strongly opposed the sale.

They argued that the sophisticated jet would be a serious potential threat to the Jewish state in the event of another Arab-Israeli war.

The original deal was approved, 55-44, by the Senate after acrimonious debate.

A condition for congressional approval of the first F-15s was a Saudi promise not to base them at Tabuk, in the northwestern corner of the kingdom and within easy range of Israel.

The Saudis are known to be shopping for an advanced aircraft to station at Tabuk to replace their

obsolete, British-made Lightning aircraft now based there. Both the British and French have the advantage over Washington of being able to offer an advanced aircraft that could be based at Tabuk.

U.S. proponents of the F-15 sale have long argued that Israel would be better off if the Saudis continued to buy U.S. aircraft because Washington would have more leverage over their use and basing in the kingdom.

A French company, Dassault-Breguet Aviation, was reported in the European press last spring to be close to arranging the sale of 46 Mirage-2000s in return for Saudi oil. But the oil barter deal has never been concluded, partly because the company was willing to accept only roughly 50 percent of the cost in oil and wanted the rest in cash.

British Aerospace, with strong help from the British government, has been trying to persuade the Saudis to purchase 20 Tornado jets and 26 Hawk trainer-fighters.

U.S. Rejects N.Y. Atom Ban

New York Times Service

WASHINGTON — The federal Department of Transportation refused Monday to block the trucking of spent nuclear fuel through New York City. It was the first ruling on a request from a local government to bypass regulations and routes set by the department for shipping hazardous material.

The president also set up a special committee similar to other "wise men" groups he had created on Central America and on the MX missile in previous years, to seek wider political support for his South African policy.

Besides the substantive conces-

WORLD BRIEFS

Metal Fatigue Found in JAL Bulkhead

TOKYO (AP) — Government investigators have found traces of metal fatigue in a pressure wall on the Japan Air Lines jumbo jet that crashed into a mountain Aug. 12 killing 520 people, the Asahi Shimbun newspaper reported Tuesday.

A rupture in the rear pressure bulkhead has been cited as a possible cause of the crash, which four persons survived. The newspaper said investigators from the Aircraft Accident Investigation Commission found beach marks, or traces of metal deterioration, on a duplicate of the bulkhead.

The plastic duplicate was molded from the original bulkhead so that investigators could begin laboratory examinations before the Boeing 747 bulkhead, which is still at the crash site, was salvaged. Earlier findings indicated that improper repairs had been made to the bulkhead in 1976.

Grenade Attack Kills 9 in Nicaragua

MANAGUA (UPI) — A fragmentation grenade thrown into a crowded discotheque in northern Nicaragua has killed nine persons and wounded 25 in an attack that the authorities said might have been carried out by U.S.-backed guerrillas.

The incident took place Monday in the Cave of the Lions night club in the city of Ocoate, 132 miles (213 kilometers) north of Managua. One Nicaraguan soldier was reported among those killed.

The authorities said they suspected that the attack had been carried out by the Nicaraguan Democratic Force, which receives U.S. support. The group, which is seeking to overthrow the leftist Sandinista government, recently said that its fighters were "acting in several cities and have missions to carry out sabotage directly against the Sandinista Defense Committees."

Vatican Attacks Use of Pope's Column

VATICAN CITY (Reuters) — The Vatican condemned on Tuesday the manner in which news syndicates owned by Rupert Murdoch had handled a column based on pronouncements by Pope John Paul II.

The column, which is compiled from the pope's statements, speeches and messages, was first distributed last week by the Times of London and News America syndicates. When the first column, titled "On Apartheid," appeared Saturday in the Madrid newspaper ABC, it carried the joint copyright of the syndicates and the byline "John Paul II" in bold-face type.

"It is inadmissible that the name of the Holy Father could be used as a journalistic byline and involved in commercial operations," said Monsignor Giulio Nicolini, a deputy spokesman for the Vatican. All media may use the column, he said, and that "absolutely excludes the acquisition, on the part of anybody, of exclusive rights."

Reagan Asks for Debt Limit Increase

WASHINGTON (AP) — The Reagan administration asked Congress on Tuesday to raise the national debt limit above \$2 trillion, saying that without new borrowing authority the Treasury would be broke by Oct. 15.

John J. Nishenko, acting assistant Treasury secretary for domestic finance, told a Senate subcommittee that the increase in the debt limit was "merely a recognition" of obligations already made by the government. He asked that the Senate approve, without amendment, the \$2,078-billion debt ceiling the House adopted when it approved the fiscal 1986 budget on Aug. 1.

Later, Sen. Jesse Helms, the White House spokesman, said the administration has contingency plans to shut down government agencies and "would be prepared to do so if there was not congressional action to raise the debt ceiling."

Head of French Railroads Resigns

PARIS (NYT) — The president of the French national railroad system resigned Tuesday, taking full responsibility for a series of recent accidents in which 83 people have been killed.

André Chadeau, 58, head of the Société Nationale des Chemins de Fer Français, or SNCF, handed a letter of resignation to Transport Minister Paul Quilès. He wrote: "As chairman of the SNCF board, I must objectively bear the responsibility for these accidents."

Mr. Chadeau is a professional civil servant who had previously been chief government officer of three different departments of France. He resigned from the SNCF as the company was starting a major inquiry into operational and safety procedures used by the state-owned railroad system. Initial investigations indicated that human error was a factor in at least three crashes.



André Chadeau

Japan to Expand Anti-Sub Air Fleet

TOKYO (AP) — Japan notified the United States on Tuesday of plans to expand its fleet of P-3C Orion anti-submarine patrol planes from the present 45 to 75 in the next few years.

The Japanese military has purchased seven Lockheed-built P-3Cs and built 38 under license since 1981. That notification was given in notes exchanged between Foreign Minister Shintaro Abe and the U.S. ambassador, Mike Mansfield.

For the Record

Andrei Karpov and his challenger for the world chess championship, Gary Kasparov, drew the third game of their title rematch after 20 moves Tuesday in Moscow.

The British designer Laura Ashley, 60, was in critical condition Tuesday after falling down a flight of stairs over the weekend, a spokesman for her textiles and interior decoration company said in London. (Reuters)

President Augusto Pinochet of Chile extended emergency powers for another six months on Tuesday, according to a decree in the official gazette. (Reuters)

Policy Shift on South Africa

(Continued from Page 1)

After Mr. Reagan's statement, the Senate voted to postpone action on legislation imposing stricter sanctions.

The sincerity of Mr. Reagan's new policy was immediately challenged by some of his critics.

Several House Democrats, including Speaker Thomas P. O'Neill of Massachusetts, reacted negatively. But the net result of the announcement made Monday by Mr. Reagan was to bring the administration's South African policy much closer to the American mainstream, as expressed by Congress, which had been poised to vote only slightly more onerous sanctions than those chosen by Mr. Reagan.

The main difference between the sanctions announced by Mr. Reagan and those that were in the bill that had cleared the House and is awaiting action by the Senate, is that the bill calls for Mr. Reagan to impose additional sanctions if progress toward ending apartheid is not recorded in a year.

The bill also mandates an immediate ban on the import of gold Kruggerands, while the president called for consultations with allies first to see if it was not a violation of the General Agreement on Tariffs and Trade.

The president also set up a special committee similar to other "wise men" groups he had created on Central America and on the MX missile in previous years, to seek wider political support for his South African policy.

Besides the substantive conces-

sions made to Congress, Mr. Reagan also signaled a not-insignificant shift in rhetoric. Last month, in an episode for which he apologized Friday, the president praised South Africa's apartheid reforms and gave the impression that he was relatively uncritical of the government of President Pieter W. Botha.

Monday's moves once again underscored what has been apparent for some time — the willingness of Mr. Reagan to modify or reverse a policy when faced with imposing public opposition. Throughout his administration, Mr. Reagan has initially struck positions only to alter them later, when he was persuaded they did not have wide support.

The administration's switch on South Africa was relatively sudden. As recently as Thursday, the State Department spokesman was asserting that sanctions would be "counterproductive" and only hardened the attitude of the South African rulers.

But in an interview, Chester A. Crocker, the assistant secretary of State for African affairs, said that the president, when faced with the available alternatives, chose to take the lead and send a unified message to all South Africans about American policy.

He chose the vehicle of an executive order because it was viewed as impossible to alter the pending legislation to fit what Mr. Reagan wanted. But more importantly, the administration wanted to appear in charge of foreign policy, and not to be beholden to Congress.

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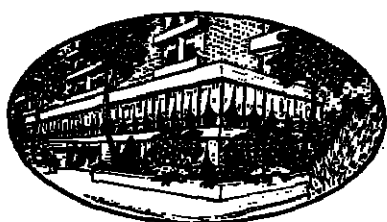
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حکومت الرشید

AMERICAN TOPICS

Probation vs. Prison:
Georgia Alternatives

Penal experts say Georgia probably has the most advanced program of "calibrated sentencing" in the United States, giving judges alternatives to prison or probation. The Washington Post reports.

One such alternative is "intensive probation," during which the probation officer makes at least five unannounced visits a week at home or work, as compared to the usual maximum of once a week. Probationers are subject to curfew and to spot tests for drugs or alcohol, and can be put behind bars without red tape. The cost is about \$5 a day, compared to about \$25 a day for prison inmates, and is borne entirely by fees charged the probationers.

Another alternative is "shock incarceration," 90 days in a compound whose inmates have never been in prison before. Regimented by guards who are all former military personnel, the young felons, heads shaved, rise at 5:30 A.M. for a long day of back-breaking field work, marching and calisthenics. The idea is to give them a short, intense taste of prison life without its permanent scars, enough to encourage them from risking a return engagement. When released, they go on probation, usually intensive.

Although Georgia's program is too new to have accumulated meaningful statistics, preliminary results indicate that about one in four intensive probationers commits new crimes, compared to roughly one in two ex-convicts. So far, only one in 16 young men given shock incarceration has come back for more.

Short Takes

Americans last year threw away 99 billion paper and plastic cups, dishes, bowls and lids, 16 billion diapers, 1.6 billion razors and razor blades, 1.6 billion pens and 348 million lighters, according to Waste Age, a magazine for the landfill industry.

Providence, Rhode Island, is putting the paved-over junction of the Woonasquettuck and Moshassuck Rivers, which form the Providence River, out in the open and putting the railroad tracks, which currently cut off the State House from downtown, underground. The cost to the



THIS IS FUN? — Michelle Bowman, 6, seems to doubt the enjoyment of riding down a waterslide in Chesterfield, Virginia, with Penny Groome, of Richmond.

taxpayers of transforming the heart of the city is estimated at \$145 million in state and federal funds.

Shorter Takes: U.S. farmers grew about 20 percent more potatoes this year than they usually sell, and the result is a glut which is expected to drive the price of a 10-pound (4.5-kilogram) bag of spuds, which was 70 cents or more last year and has reached as high as \$1.20, down as low as 22 cents. ... Ten states now have black judges on their supreme courts — Alabama, California, Florida, Maryland, Mississippi, North Carolina, New York, Pennsylvania, South Carolina and Virginia — compared to five states in 1980. ... The federal government's General Accounting Office says that on the average, while federal workers have higher pensions and longer leaves than private-sector employees, overall benefits are superior outside of government be-

cause of 10 to 18 percent higher pay.

Chiseling on Words
Engraved on Memorial

Washington's Jefferson Memorial has parts of the second and last paragraphs of the Declaration of Independence engraved on a wall, but five of the original words are missing. The word "that" before the list of unalienable rights was dropped, "United Colonies" became "Colonies," and "pledge to each other our lives" was cut down to "pledge our lives." The architects took some poetic license, says Sandra Alley, a spokeswoman for the National Park Service. "We also heard that the changes were made to save space."

— Compiled by
ARTHUR HIGGEE

Meese Urges
Congress
To Overhaul
Aliens Laws

By Robert Pear
New York Times Service

WASHINGTON — Attorney General Edwin Meese 3d has urged Congress to overhaul U.S. immigration laws, while strongly objecting to key features of a bill proposed by Representative Peter W. Rodino Jr., chairman of the Judiciary Committee.

Mr. Meese said Monday that he and President Ronald Reagan were "committed to comprehensive immigration reform," including penalties against employers who knowingly hire illegal aliens.

But Mr. Meese criticized the bill drafted by Mr. Rodino, a New Jersey Democrat, on the ground that it was too generous in offering legal status to illegal aliens who are already in the United States.

Mr. Rodino's measure would authorize the attorney general to offer legal status to illegal aliens who entered the United States before Jan. 1, 1982, and have lived in the United States continuously "in an unlawful status" since that time.

The attorney general, who testified before the House Judiciary Subcommittee on Immigration, said that the cutoff date should be pushed back to Jan. 1, 1980, to assure that the legalization program was open only to aliens who had set down "roots" in the United States.

The 1982 eligibility date, he said, would be "unfair to those persons who have respected the legal immigration system" and "would serve to attract even more illegal migrants."

Comprehensive legislation to curb the influx of illegal aliens has been passed twice by the Senate and once by the House of Representatives since 1982, but the bills ultimately died in Congress.

In July, the Senate Judiciary Committee approved another version of the legislation, which includes the 1980 eligibility date for illegal aliens seeking legal status.

Mr. Meese also criticized provisions of the Rodino bill that would establish a special office in the Justice Department to investigate complaints of employment discrimination against legal aliens and refugees. Hispanic groups warn that such discrimination might increase because of the bill's ban on hiring illegal aliens.

"We endorse the spirit of those provisions, but not the specific mechanisms," Mr. Meese said. He said the anti-discrimination mechanisms in the Rodino bill might eventually lead to a presidential veto.

The administration, Mr. Meese said, also would insist that any immigration bill include provisions making it easier for farmers to bring in aliens as legal temporary workers, to offset the expected loss of illegal alien labor.

"Permanent and temporary guest worker programs are necessary," Mr. Meese said, for both economic and political reasons. On this issue, he said, the administration is trying to negotiate a compromise acceptable to farm worker unions and to fruit and vegetable growers who have depended on illegal aliens to pick crops.

Belushi's Drug-Filled Last Days Described

By Robert W. Stewart
Los Angeles Times Service

LOS ANGELES — In the days before he died, a drawn and tired John Belushi repeatedly accepted drug injections from his accused murderer, Cathy Evelyn Smith, and encouraged his friends to join him, two of Mr. Belushi's companions have testified.

On the first day of Miss Smith's long-delayed preliminary hearing on Monday, Leslie Marks-Moritz, 28, a former clothing store clerk, and Nelson Lyon, 46, an advertising and television writer, provided new details of Mr. Belushi's warring use of drugs the week before he died of a heroin and cocaine overdose on March 5, 1982.

Miss Smith, 38, a former singer, is being prosecuted for second-degree murder and 13 counts of furnishing heroin and cocaine to Mr. Belushi, a television and film star who was 33 when he died. The hearing is to determine whether there is sufficient evidence to try her on the charges.

Responding to questions from Deputy District Attorney Michael J. Monaghan, Miss Marks-Moritz and Mr. Lyon testified that, although Mr. Belushi personally supplied or paid for the drugs that he and his friends used, they never saw him inject himself with a needle. That task always fell to Miss Smith, they said.

Mr. Lyon, who testified under a grant of immunity, said that he left the comedian's \$200-a-day bunge-



John Belushi

low at the Chateau Marmont hotel in West Hollywood about 3:30 A.M. on March 5, following a day in which Miss Smith injected both Mr. Lyon and Mr. Belushi at least seven times with a drug that Mr. Lyon believed was cocaine.

However, Mr. Lyon said that the last injection Miss Smith gave him, about 1 A.M. that day, produced a dramatically different effect than the earlier injections. "I felt intensely numb, intensely stoned; it was a very upsetting numbness, very disorienting," Mr. Lyon said. He testified that he and Mr. Belushi had vomited a few minutes later.

Miss Marks-Moritz, who said she was introduced to Mr. Belushi by a friend in early February, said that she first tried heroin, sniffing it through her nose, at Mr. Belushi's request sometime between Feb. 11 and Feb. 22, 1982.

On a later occasion, Miss Marks-Moritz said, she allowed Miss Smith to inject her with a cocaine solution while Miss Smith repeatedly administered speedballs, mixtures of heroin and cocaine, to Mr. Belushi and at least two of his acquaintances.

At one point, Miss Marks-Moritz said, Miss Smith told her it could be dangerous giving her an injection; something to the effect of, if she didn't do it right, she could kill me.

Miss Marks-Moritz described the comedian's final days as spent searching for drugs, borrowing money to buy drugs or getting high.

She said that two days before he died, Mr. Belushi arrived at her Los Angeles apartment at 7:30 A.M., "distracted and exhausted." When she returned from work that afternoon, she said, Mr. Belushi was asleep on her bed, his arms exposed.

"They had a lot of what looked like red spots in the crook of his arm, where he had been injected," she testified. "Over a dozen, at least."

Outside the courtroom, Miss Smith's attorney, Howard L. Weitzman, said that he was not

surprised by testimony of Mr. Lyon and Miss Marks-Moritz.

"We all knew that type of testimony was going to come out," he said. "I don't believe it has any effect on our case."

Mr. Weitzman said that he believes that Miss Smith was acting only at Mr. Belushi's direction and is not guilty of murder. "I've said all along this is not a murder case," he said.



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U.K. Stops EC Curbs on South Africa

(Continued from Page 1)

under the control of EC government, is now expected by member nations' officials said.

In addition, the impact of several of the other curbs under consideration would not be great because of existing international sanctions such as the embargo on arms trade with South Africa.

An EC fact-finding mission returned at the beginning of this month from South Africa and reported that harsh sanctions would not be effective in increasing pressure on the white government and would economically hurt the black population.

Earlier Tuesday, Jacques Poos, the Luxembourg foreign minister, and Willy De Clerq, the EC commissioner for external relations, met with two representatives of the outlawed African National Congress, the chief black guerrilla group in South Africa. It was the first high-level meeting between EC officials and members of the African National Congress, officials said.

U.S. Secretary of State George P. Shultz, meanwhile, sent a letter to the community in which he outlined the U.S. measures announced Monday by President Ronald Reagan, and asked for a common Western policy toward South Africa, EC officials said.

U.S. Impact Called Limited
Peter T. Kilborn of The New York Times reported earlier from Washington.

By themselves, the U.S. sanctions against South Africa that Mr. Reagan adopted on Monday will have a negligible impact, according to experts in international trade. But the analysts said that the president's decision might strengthen the resolve of other governments to expand their own sanctions. Such measures, combined with the American actions, could eventually hurt South Africa's economy, they added.

Some analysts speculated that South Africa could respond in a way that would work against Mr. Reagan's commitment to the moment, as he put it on Monday, "when apartheid will be no more."

The sanctions could encourage the country to redouble its effort to build a self-supporting economy, leaving it free to pursue its segregationist policies, these experts said.

The sanctions that Mr. Reagan ordered involve all computers, computer equipment and computer software used by South African public agencies to enforce apartheid; nuclear equipment, which could be used for military purposes; and U.S. bank lending to South Africa.

Mr. Reagan also threatened a ban on sales of gold Kruggerand coins, which, like other South African exports, provide a source of

foreign currency the country needs to buy the goods it imports.

But in all those areas, economists said, the sanctions will have only negligible effects. In part, this is because they only validate changes already in effect. American lending to South Africa, for example, has all but dried up this year, primarily because of the banks' concern that the turmoil there would jeopardize the repayment of loans.

South Africa earlier this month froze interest payments on its international borrowings.

In the case of the Kruggerands, Mr. Reagan said that, before banning imports of the coins, he would consult with the General Agreement on Tariffs and Trade, the association of 91 nations that oversees international trade, to ascertain whether the ban would violate free-trade regulations.

In the case of computers, American companies already deny sales to apartheid-enforcement agencies, and all sales of American computer equipment there has been falling sharply this year.

Japan Considers Curbs
Japan wants to discuss economic curbs against South Africa with the United States and other countries, Foreign Minister Shintaro Abe said Tuesday. Reuters reported from Tokyo. Mr. Abe said that his government is studying whether to strengthen its existing sanctions against South Africa, with which it has only consular-level relations.

U.S. Envoy Returns
The U.S. ambassador to South Africa returned to Johannesburg on Tuesday after a three-month recall and said that injustices in the name of apartheid had gone on too

long and must end, Reuters reported.

Herman Nickel, who was called back to Washington for consultations amid mounting international protests over Pretoria's policies, said: "We have gotten beyond where mere statements of intent are adequate. Things have got to be seen to be happening."

John F. Enders, a Virologist, Dies;
Research Paved the Way for Vaccines

By Lawrence K. Altman
New York Times Service

NEW YORK — Dr. John F. Enders, 88, a virologist whose discoveries paved the way for vaccines against polio, measles, German measles and mumps as well as to major advances in the fight against cancer and in genetics, died Sunday at his summer home in Waterford, Connecticut. He was the recipient of a Nobel prize in medicine in 1954.

Scientists credited his discoveries, which were made at Harvard University, as being among the most important in shaping medicine in the 20th century.

Dr. Enders was a basic researcher who was perhaps best known for the modern techniques of tissue culture. The method, in which cells are grown in test tubes, was first developed by other researchers at Yale University in 1907, according to medical historians.

Scientists had long sought ways to grow polio virus in test tubes, but had limited success. Dr. Enders is credited with developing techniques that made it possible to grow not only the polio virus, but also many other viruses.

He did it by examining through a microscope human cells grown in test tubes and then recognizing that viruses injured cells in distinctive ways. By studying the patterns of such cell injury, he could distinguish one virus from another.

Ultimately the techniques led to advances in growing tumor viruses and to the recognition that cancer cells formed clumps, a phenomenon called focus formation.

A paper that he published in 1949 with Dr. Fred C. Robbins and Dr. Thomas H. Weller, then his students, described the growth of polio viruses in embryonic tissue. The paper, which appeared in the journal Science, is considered a landmark in virological research.

It also led the three men to share a Nobel prize in 1954.

In continuing that research, Dr. Enders and other scientists found ways not only to grow the polio and other viruses but also to tame them so they could be used as safe and effective vaccines.

The vaccines that were derived from Dr. Enders' research led to the virtual eradication of poliomyelitis and measles in developed countries.

The cell culture techniques also allowed others to make fundamental advances in biology, biochemistry and genetics. Those genetic engineering techniques that rely on tissue culture to produce biologically active substances are based on work done by Dr. Enders and his team.

Rodney R. Porter, 67, Biochemist at Oxford
NEW YORK (NYT) — Professor Rodney R. Porter, 67, of Oxford University, a biochemist who was awarded the Nobel prize in

medicine in 1972, was killed Saturday in an automobile accident in Winchester, England, police in Britain said.

Dr. Porter, who was to have retired in October, received the Nobel prize jointly with Dr. Gerald Maurice Edelman of the Rockefeller University in New York City. They had carried out separate research into the ways the human body detects alien living chemical systems.

The two men described the specific chemical, called an immune globulin, that does the detecting. It is the major component of gamma globulin, the part of blood that contains the chemicals that defend the body against invading germs.

The chemical is a protein molecule made up of thousands of atoms strung together in clusters that somewhat resemble grapes and in chains of amino acids, like beads in a necklace.

Johnny Desmond, 65, Singer With Glenn Miller
LOS ANGELES (LAT) — Johnny Desmond, 65, an actor and singer who rose to fame during the Big Band era as a lead vocalist for the Glenn Miller Orchestra, died of cancer Friday in Los Angeles.

Mr. Desmond, born Giovanni Alfredo de Simone in Detroit, gained fame during World War II, recording a number of hits with the Miller band, and was called a "European Tokyo Rose" because of his performances that were aired worldwide.

His manager and producer, Lou Reda, said: "He sang all the popular songs in German and French, and Italian and it was broadcast out to the enemy could tune it in. He was the other Frank Sinatra."

Although Mr. Desmond's early fame faded after the war ended, he remained popular as a ballad singer, making dozens of radio and television appearances.

George Polya, 97, Researcher in Mathematics
LOS ANGELES (LAT) — George Polya, 97, a mathematician who made fundamental contributions to a wide range of topics and to the theory of problem solving,

died Saturday in Palo Alto, California. He suffered a stroke earlier this summer.

In addition to a prodigious output of more than 250 papers, in 1945 Mr. Polya wrote "How to Solve It," which explains in non-technical terms how to think about invention, discovery, creativity and analysis.

His single most important work was "Problems and Theorems in Analysis," co-authored with Gabor Szegő and published in 1953.

Mr. Polya made contributions in a variety of mathematical fields. Probability theory contains a "Polya criterion," complex function theory contains "Polya peaks," the "Polya representation" and the "Polya gap theorem," combinatorics contains the "Polya enumeration theorem" and the Polya Prize in Combinatorial Theory and its Applications, given by the Society for Industrial and Applied Mathematics.

Other deaths:
Bernhard J. Welgus, 92, a renowned scholar and critic of German literature and a professor emeritus at Yale University, where he had taught for 32 years, died Tuesday in Branford, Connecticut.

Paul P. Ewald, 97, who played a key role in development of the X-ray analysis of crystal structure now widely used in chemistry and physics, died Aug. 22 at his home in Ithaca, New York, after a long illness.

George W. MacRae, 57, acting dean of the Harvard Divinity School, died Friday, apparently of a heart attack, in Brighton, Massachusetts.

Draft Resister
Given Probation

The Associated Press

LOS ANGELES — David Wayne, a draft resister whose conviction was upheld by the U.S. Supreme Court, was sentenced Tuesday to six months of "house arrest" at his grandmother's home and barred from doing community service.

U.S. District Judge Terry Hatter said the unusual ban on community service during Mr. Wayne's probation would be a "grave punishment for a socially conscious activist."

Mr. Wayne, 24, who works at a school for disabled adults and at a shelter for the homeless in Pasadena, contended he was prosecuted only because he actively protested the draft. Although about 500,000 men failed to comply with renewed draft registration in 1980, only 12 were prosecuted.

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Finding of Titanic: A Navy By-Product

By William J. Broad
New York Times Service

WOODS HOLE, Massachusetts — The triumphant researchers who found the ocean liner Titanic have returned to their home port here, greeted by cheering crowds, balloons and the blare of sirens.

Two helicopters and a flotilla of small craft followed the navy research vessel Knorr to her landing. "I'm glad it's over," Robert D. Ballard, leader of the research team and a senior scientist at the Woods Hole Oceanographic Institution, shouted from the deck as the 245-foot (75-meter) Knorr pulled up to the institution's wharf.

The first man to shake Mr. Ballard's hand was Rear Admiral J.B. Mooney Jr., chief of U.S. naval research. The navy financed the development of the underwater robot sled Argo, which last week took more than 12,000 photos of the liner.



Robert D. Ballard

The Titanic sank 73 years ago with the loss of more than 1,500 lives. The navy wants to use the Argo for top-secret military missions, according to naval sources and scientists who work for the government.

At a news conference, Mr. Ballard said the gravesite of the Titanic was quiet and peaceful, "a fitting place for the remains of this greatest of sea tragedies to rest."

He added that the Argo and its cousins under development at Woods Hole represented "a complete revolution" in underwater exploration.

"It's the beginning of telepresence, of being able to project your spirit to the bottom, your eyes, your mind, and being able to leave your body behind," Mr. Ballard said. "We were able to stay submerged for days on end, something I've never been able to do in little submarines. With the Argo system you can sit in comfort and watch the bottom go by, mile after mile after mile. This test program clearly demonstrates that we've entered a new era in undersea exploration."

The Argo, about the size of an automobile, was built by Mr. Ballard and his team at Woods Hole. This was its maiden voyage. From the navy's point of view, the search for the Titanic was incidental.

"The most critical test we could imagine was to find something that

magazine. A photographer from the magazine was aboard the Knorr, and the National Geographic Society has a long history of joint projects with Woods Hole.

The luxury liner sank 73 years ago. According to scientists, government officials and historians, its discovery and what lies in store for its wreckage is a tale full of twists and irony.

The scientists tried to keep the site hidden from treasure hunters by refusing to give the exact location in ship-to-shore interviews. But soon their precautions were shattered as an unidentified private plane circled overhead for more than an hour, "nailing down the position," one of the discoverers said.

In a final twist, historians say there may be little of value on the purportedly treasure-laden vessel. This news, however, has not slowed treasure hunters from declaring they want to mine the luxury liner for fabulous riches.

The precise location of the 45,000-ton Titanic had been a mystery since April 14, 1912, when, at 11:45 P.M., she struck an iceberg while steaming through the waters of the North Atlantic.

With a double-bottom hull and reinforced bulkheads, the ship had been dubbed unsinkable. But that night, several hundred miles south of Newfoundland, Canada, it went down with 10 millionaires aboard, including the American financier John Jacob Astor, the industrialist Benjamin Guggenheim and Isidor Straus of Macy's. In all, more than 1,500 people lost their lives.

The Titanic's actual discovery awaited the creation of sophisticated robots to explore the inky depths of the ocean bottom, in particular, the Argo. Its designer was Mr. Ballard, leader of the team of American and French scientists who found the Titanic. Woods Hole is a private, nonprofit oceanographic laboratory.

The Argo is a robot craft equipped with searchlights and television and still cameras that can survive the crushing pressure of the ocean's weight and pierce the darkness miles under water. It is towed from a mother ship.

Unlike tiny submarines that take one or two scientists deep under water for a few hours at most, the Argo and its high-technology

cousins can roam across miles of territory and stay under water for weeks at a time while scientists monitor data aboard the mother ship.

The development of the Argo was financed by the Office of Naval Research as part of a \$15 million Woods Hole program to build advanced robot vessels, according to navy and Woods Hole officials. It will be tested for the next two years. When testing is completed, it will belong to the navy.

Some of the work of these submarines will be scientific. But other jobs, perhaps most of Argo's tasks, will involve secret navy projects.

"They are very interested in technology they can apply to their own kinds of problems," said William Marquet, senior engineer at the Woods Hole Deep Submergence Laboratory.

The Argo is only the first stage of what will be a more sophisticated system involving a still smaller vehicle, the Jason, which will be sent out from the Argo for closer examinations of the ocean floor.

"Underwater technology is of great interest militarily," said William Nierenberg, director of the Scripps Oceanographic Institute on the West Coast, which makes data available to the Pentagon.

He said scientific knowledge of the deep seabeds was essential for such activities as antisubmarine warfare and the navigation of submarine-launched missiles. "Beyond that," Mr. Nierenberg said, "is the whole question of retrieving objects."

Items of military interest in the ocean include the U.S. nuclear submarine Thresher, which sank in the Atlantic in 1963, an American hydrogen bomb lost off the coast of Spain in 1966, a Soviet submarine that exploded and sank between Hawaii and Midway Island in 1968 and the U.S. nuclear submarine Scorpion, which sank off the Azores in 1968.

In addition to investigating items of military interest, the navy wants research robots to help explore the possibility of basing missiles on the ocean bottom.

In interviews, Mr. Ballard has often argued that the future strength of the navy rests in large measure on taking advantage of improved familiarity with the sea floor. The prolonged debate on how to hide and shuffle nuclear missiles on land, to keep them safe from surprise attack, could be resolved, he has said, by concealing missile-bearing submarines in canyons on the ocean bottom.

According to scientists and officials at Woods Hole, the Argo's work on this mission was strictly scientific. "There was nothing classified," said Robert Spindel, head of the Woods Hole Ocean Engineering Department.

In planning for the sea trial of the Argo, oceanographers at



Marshall Drew, 81, of Westerly, Rhode Island, who survived the sinking of the Titanic, was on hand in port this week to greet the scientists who have found the ship.

Woods Hole asked the military if it would be all right to search for the Titanic.

"They said, 'Do you have any objections if we test in the area of the Titanic?'" recalled Captain Brent Baker, a navy spokesman at the Pentagon. "We didn't care. The point was to see if this new system worked."

Assorted adventures and at least one insurance company have laid claims to the steamship, while Woods Hole researchers and many people associated with the sinking say they want the wreck left untouched.

Experts also say that treasure seekers who want to mine the ship for valuables may be in for a let-down.

"The stories of great wealth are fantasies," said Mr. Eaton of the Titanic Historical Society. "There were no claims for large amounts of jewelry, just the standard express-liner cargo. Most of them were personal claims, \$13 million, both for loss of life as well as property. I believe the only value of the wreck is scientific. There's probably little that is salvageable."

Deference to French

Mr. Ballard cut short the Monday news conference, Ken Ringle of The Washington Post reported, in deference to French colleagues on the expedition. Mr. Ballard said they "deserve a chance to go home

and tell their story at the same time."

It was the French, he said, who began the search early this summer and who, according to him, did the bulk of the work.

Led by Jean-Louis Michel of the French Institute for Research and Exploration of the Sea aboard the research vessel Le Surcouf, the French expedition covered 80 percent of the planned search area before the Knorr even arrived on the scene.

"Imagine if you'd been on Le Surcouf," Mr. Ballard said. "They left us 20 percent and we found it."

Mitterrand Will Travel To Nuclear Test Site

The Associated Press

PARIS — President François Mitterrand will travel Friday to the French nuclear testing site at Mururoa Atoll to preside over a meeting of a newly created Coordination Committee for the South Pacific, which is made up of ambassadors and French civil and military authorities, the government announced Tuesday.

The president will stop in French Guiana en route to watch the launching of two communication satellites from Kourou by the European Space Agency's Ariane rocket, the announcement said.

Reagan Says Summit May Be 'Starting Point' For East-West Progress

United Press International

WASHINGTON — President Ronald Reagan said Tuesday that his November summit meeting with Mikhail S. Gorbachev could be "a starting point for progress" but that Western security would not be enhanced by Moscow's "wishful thinking or public relations campaigns."

Mr. Reagan used the state visit of Prime Minister Poul Schluter of Denmark, a leader who has no differences with the United States, to promise "a century of peace" and respond to a Soviet media blitz before the Geneva summit conference with the Russian leader.

The Nov. 19-20 meeting will put Mr. Reagan face to face with a Soviet leader for the first time in almost five years in office.

Reacting to a series of Soviet interviews, speeches and official newspaper articles on "star wars," the name given to Mr. Reagan's space-based Strategic Defense Initiative, and anti-satellite research, Mr. Reagan said that the United States has "already reached out in a cause of a safer world on numerous occasions, and we will continue to do so."

"We have offered major reductions in strategic and intermediate weapons as well as a lowering of the level of conventional forces," Mr. Reagan said. "We look forward to the coming meeting in Geneva, not for an end of all that has been wrong between East and West, but a beginning point for better relations, a starting point for progress."

While making the remarks, Mr. Reagan appeared healthy and cool in the muggy morning heat of the capital, and said, "We can, must and will have, not just four decades of peace, but a century of peace, a more stable peace," that "will not be secured by wishful thinking or public relations campaigns."

Mr. Schluter said he hoped that the summit meeting "will lead to the beginning of a more constructive East-West relationship, benefiting the United States, the Soviet Union, the alliance and the world."

In their private talks, a senior administration official said that Mr. Reagan stressed the crucial importance of allied unity in achieving success with the Soviet Union. The official, who asked not to be identified, said the president told the prime minister that he was looking forward to the meeting, that he was convinced it would be productive and that "if the Soviets are willing to meet us halfway, they would certainly find us willing to meet the issues halfway."

The official said rather than expecting resolution of long-term is-

sues in arms control, regional problems, bilateral relations and human rights, the president hoped the summit conference would "chart a course and then, indeed, identify a process of problem-solving."

In reference to the Soviet media campaign, the White House spokesman, Larry Speakes, said that the Kremlin has been issuing "propaganda for propaganda's sake" but that none of the offers has been made at the Geneva arms talks.

Mr. Speakes said: "There have been any number of proposals floated that have not been backed up by serious proposals at Geneva. Our statements have the basis of a serious approach."

■ Gorbachev Meets With Ram

Mr. Gorbachev met for two hours Tuesday with a leading West German opposition leader, Johannes Rau, and told him that Moscow would welcome a European zone free of chemical weapons if Washington backed the proposal. This report came in a dispatch carried by Reuters, the official press agency said that the Soviet Union would be "ready to guarantee and respect the status of the zone."

The proposal was made earlier this year by East German officials and members of Mr. Rau's Social Democratic Party.

Mr. Rau, who is widely expected to lead the party into West Germany's 1987 elections, was in the Soviet Union for a three-day visit, officially to encourage trade for North Rhine-Westphalia, the industrial state of which he is premier.

Stockholm Conference Resumes

Reuters

STOCKHOLM — The Stockholm Conference on European disarmament opened its seventh session Tuesday in what Western delegates called a positive atmosphere, but no new initiatives seem likely before a U.S.-Soviet summit meeting Nov. 19 and 20.

James E. Goodby, the U.S. delegate, said that the political will now existed for progress in the central task of agreeing on confidence-building measures to reduce the risk of war.

Proposals by the North Atlantic Treaty Organization to the 35-nation conference are centered on exchanges of military information and observations, while Moscow has proposed broader political measures based on a treaty outlawing the use of force.

Mr. Goodby said after the opening plenary session that talks in Geneva between President Ronald Reagan and Mikhail S. Gorbachev, the Soviet leader, could give impetus to the Stockholm conference, which began in January 1984. Its official name is the Conference on Confidence and Security-Building Measures and Disarmament in Europe.

The Soviet ambassador, Oleg Grinevsky, told delegates that the time was ripe for concrete negotiations in Stockholm, but warned that some countries were creating artificial delays and seeking unilateral advantages.

"A turn for the better is possible in Europe," he said, "where détente was born and where it has deep roots."

The main interest of this session focuses on plans by nine neutral and nonaligned countries to present detailed proposals that could help to break the East-West deadlock.

Neutral delegates said their proposal would include provisions on the nonuse of force, the key Soviet proposal, and on exchanges of information about military activities, the cornerstone of the NATO position.

Soviet Reports Earthquake

Reuters

MOSCOW — An earthquake rocked the Soviet republic of Tadzhikistan on Tuesday but no deaths were reported, the Tass news agency said.

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Soviet Poet Joins Effort to Galvanize Bureaucrats

By Serge Schmemmann
New York Times Service



Yevgeny Yevtushenko at a poetry reading.

Excerpts from the poem "But-What-If-It-Doesn't-Work-ists," by Yevgeny Yevtushenko:

"But what if it doesn't work...?" — and they jammed sticks
In the wheels of the first locomotive
To make sure it wouldn't work.
And the quacks seized the surgeon's knife
With their fingers
When he first cut into the heart
To save a life.
"But what if it doesn't work...?" — smug and sated.
They grumbled at the airplane.
At electric light.
"But what if it doesn't work...?" — and you and I read
"The Master and Margarita"
Twenty years too late.

MOSCOW — Apparently jumping on the Gorbachev bandwagon, the poet Yevgeny Yevtushenko has published a poem assailing timid bureaucrats who oppose innovation.

The poem appeared Monday on the normally staid pages of the Communist Party newspaper Pravda. The title of the poem is "But-What-If-It-Doesn't-Work-ists."

Neither Mikhail S. Gorbachev, the Soviet leader, nor his economic program is directly mentioned in the poem. But there is little mistaking the parallel between the poem's targets and the Soviet leader's central campaign to kick the state bureaucracy into action.

Writing in the choppy, dramatic lines that Vladimir Mayakovsky popularized in his poems to the Bolshevik revolution, Mr. Yevtushenko inveighs against the frightened bureaucrats of Stalin's era.

He attacks those who, for example, held up publication of Mikhail Bulgakov's satirical novel "The Master and Margarita" for 20 years, or who impeded the study of cybernetics.

The refrain throughout is "But what if it doesn't work...?" ("Kaby chevo ne vyshlo...?"), the plaintive cry of bureau-

crats as they block initiative or innovation.

Reflecting Mr. Gorbachev's emphasis on agriculture and automation, Mr. Yevtushenko also criticizes Stalin-era bureaucrats for the policies that set back Soviet farming.

He took a veiled swipe at collectivization and an open one at Trofim D. Lysenko, the biologist who imposed his shaky ideas on Soviet agriculture and gave his name to the notion of political control over science.

Mr. Yevtushenko's poem says well within the borders of sanctioned criticism and steers clear of direct attacks on the Communist Party. To blame bureaucrats for collectivization or Lysenkoism is to evade the central point: The policies were imposed by the party, and their opponents were ruthlessly suppressed.

Mr. Yevtushenko, 52, became something of a popular idol in both the Soviet Union and in the West in the early 1960s with poems like "Babi Yar" about the Nazi massacre of Ukrainian Jews.

He has alternated since then between original works, such as his 1982 novel "Berry Patches" or the autobiographical film "Kindergarten," and poetry praising truck plants, the Olympic Games in Moscow or the Chilean leader Salvador Allende, who died in a coup in 1973.

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A Voice in the Wilderness: Israeli Singer Protests

ZEMAH, Israel — Bathed in an eerie green glow, the singer clenched his fists and sang: "He leaves behind him downfall and destruction."

The crowd at the open-air amphitheater of Zemar, on the northern shore of the Sea of Galilee, rose to its feet, singing with Shalom Hanoch as he strummed the chords of "Don't Stop at Red Lights."

"I don't mind if people interpret the song to mean it's about Sharon," the rock star said later, referring to former Defense Minister Ariel Sharon, who masterminded Israel's June 1982 invasion of Lebanon.

Hanoch, 39, considered Israel's foremost rock composer and singer, usually sings personal songs and ballads. But his new show and latest album include several anti-war and social protest songs, an unusual phenomenon in Israel, where singers, Hanoch included, are often launched from army entertainment troupes.

Before the Lebanon invasion shattered the national consensus, Israel's war generated songs of solidarity and nostalgia rather than protest. After the Israeli Army's controversial

three years in Lebanon, Hanoch's is the first protest music to emerge.

"I think maybe things aren't bad enough to generate such songs. If we had a really oppressive regime, maybe it would happen," said Hanoch, whose music sounds like a blend of John Lennon, Bob Dylan and Joe Cocker.

The people's hero waved hello. Beware, he doesn't stop at red lights. ... You sleep, he'll lead the herd. ... Fools love the power. ... Who will save you once you understand? Hanoch sang.

"There aren't enough protest songs these days," he said. "This is a painful period of reckoning. We must all take responsibility, consider what was until now and try to change things. That's what I'm trying to do in a gentle way. I feel I have some impact. People listen and relate."

Another subject he addresses is last year's stock market crash, in which thousands of Israelis lost their life savings when bank shares plummeted. His song attacks the economic prosperity Israel enjoyed under the seven-year Likud government of Prime Minister Menachem Begin, when living standards went up and the national treasury ran dry.

Its refrain goes: "Messiah doesn't come. Messiah doesn't call. The stock market crashed. Messiah jumped and was killed. ... The public is dumb and therefore it pays. ... It counts the money it doesn't have."

Why "Messiah"? "Israelis always think things will work out, the Messiah will come and rescue them. Meanwhile, they sit and do nothing," said Hanoch.

Hanoch's success is limited to a younger audience that did not grow up on the musical fare known as "Land of Israel" songs — ballads recalling the camaraderie and bravery of the independence struggle before 1948.

"The audience which likes those songs is looking for nostalgia. It finds it hard to handle the shattering of a dream. I never had a dream. All I thought is that I have to advance with my music, to grow up," said Hanoch.

The influence of Western pop and rock music has made itself felt, but Israeli composers and singers have not attained the popularity of their American or British counterparts.

"Israelis always think imports are better. It has to do with low self-esteem," said Hanoch.



Shalom Hanoch

Dutch Group Carves the Cake Of Subsidies to Jazz Musicians

By Michael Zwerin

AMSTERDAM — The Dutch Improvising Musicians Association, BIM, is fortunate to have its headquarters between Waterlooplein and Nieuwmarkt, where the flea market, "heroin city" and the garbage-barge terminal once were. A new city hall, or Stadhuis, and an opera are under construction in this central district, now called "Stoepa." With new lodgings, cafes and boutiques, it is being compared to the Marais in Paris.

BIM received a renovation grant of 500,000 guilders (about \$150,000) from the city to upgrade its headquarters, the Bimhuis, along with the neighborhood. In addition, the Bimhuis, a combination union hall, rehearsal studio, bar and concert hall, is supported by a 1.5-million-guilder yearly subsidy funneled through a complex structure of state, municipal and cultural entities. A committee of musicians chooses the recipients. "It's not a nice position to be in, musicians judging other musicians," said the managing director, Huub van Riel. "But it's better than some government functionary doing it."

When BIM was formed in 1974, Dixieland jazz was excluded for lack of improvisation and self-supporting commerciality. A more subtle problem arose in the 1980s when the first students emerged from the new Dutch jazz schools. Many of them play "clone" or "third-generation" bebop, imitating, for example, such tenor saxophonists as Eddie Daniels, who imitates John Coltrane. Judged not to be improvising, they are frequently refused subsidies.

Because of the one central source of money, and the public policy decisions required to disburse it, the Dutch situation provides an enlightening focus on a condition general in jazz worldwide. Stylistic definitions are no longer clear. Dixieland can be creative once more. Is salsa jazz? BIM's co-founder, Hans Dulfer, was recently refused a grant because he was judged to be playing rock.

The Netherlands is one place where it can be said, without irony: "I'm a jazz musician but I'm only in it for the money." Minimum scale for a BIM member is 250 guilders a night. Dulfer says he cannot afford to pay his young rock rhythm section more than about half that. "They don't get a subsidy," he said, laughing. "But most rock musicians hate the BIM scene. They think it's a museum. They don't even want the money if they could get it."

Dulfer, one of the best-known Dutch musicians, sent a barrage of bitter letters to the press, and

attacked the BIM "bureaucracy" on radio talk shows. "They said my music was no longer jazz. It's an old story. The Dixielanders said swing wasn't jazz, the swing players said it about bebop, bebop about free jazz and then the free players about fusion. You know, revolutionaries always become conservatives for the following generation." He hesitated. "Except Miles [Davis] and me. I don't want to compare myself musically with Miles, but we are thinking in the same direction."

"Take these young beboppers. Sure, they play from books. Most of it isn't that creative. But they're 20 years old, they just got out of school, they don't know anything else. So the BIM turns them down because they supposedly don't bring anything new. But I think it's wonderful that these young guys are keeping the tradition alive. Some of them just need the opportunity to learn how to express what they have to say. They should be asked in, not kept out. In my opinion the committee that distributes money should act like a traffic policeman. But they think they're the FBI."

The controversy has had some positive effect — the BIM committee has recently broadened definitions. In any case, out of 429 requests for subsidies in 1984, only 67, 16 percent, were denied. These applications cover individual engagements for which a promoter or club owner must pay at least 50 percent — the subsidy makes up the difference.

"There are three criteria," van Riel said. "First, is the music improvised? Then we keep track of the places that hire the bands. If a club can afford Art Blakey the week before, they probably don't need as big a subsidy as some smaller club. And the group itself should be together for musical, not purely commercial, reasons. There are no clear boundaries, and in a way it's shameful to have to make such distinctions, but by definition we must recognize certain limitations."

In 10 years, the subsidy has gone up sixfold from an original 250,000 guilders. The BIM club will produce about 160 concerts in 1985, preserving a balance between Dutch and foreign musicians, and between styles. This month the program includes an avant-garde English saxophonist, Evan Parker (Sept. 12), an old-timer American pianist, Art Hodes (Sept. 20), a young French Gypsy guitarist, Bireli Lagrene (Sept. 27) and a bebop trumpeter, Ack van Rooyen (Sept. 28).

Van Riel pointed out that since BIM's renovation was completed late last year, average attendance had gone from about 90 to 150 per concert. "We consider the BIM a success."

American Cop-Show Plot Proves Too Thin in 'Split Second'

By Sheridan Morley

LONDON — The theory that American television is rubbish, though generally still defensible, has always had to cope with the equally undeniable fact that the average episode of "Law & Order" or "Hill Street Blues" is actually better written and better acted than

THE LONDON STAGE

only than anything on British prime-time television, but also most of what is on the British stage. It ought therefore to be possible to welcome Dennis McIntyre's "Split Second" to the Lyric Hammer-smith Studio on the grounds that it is a rare attempt by an American playwright to do on stage what the best American cop shows have been doing on television since Kojak lost his hair.

The problem is, however, that what works for 60 minutes (less commercial breaks) on television is apt to look a little overstretched across two hours in a theater. The play follows all the rules of anti-establishment cop shows: We start on 11th Avenue and 28th Street in

New York late one long, hot July 4 night. A black cop has arrested, after a long chase, a white car thief who is now handcuffed and disarmed. The thief has not, however, been silenced, and about 10 minutes into the play, after letting forth a tirade of racist remarks about the general undesirability of blacks in uniform, he is shot dead, at point-blank range, by the cop.

The rest of the play takes the form of a series of dialogues in which the cop discusses with his wife, his father, his best friend and his police superintendent what he should do. Clearly he has a choice: He tells the truth, pleads guilty to manslaughter if not murder, and goes behind bars for 20 years; or he lies, claims that the thief was still armed and that he therefore was shot in self-defense.

We are not told, until the very last moments, which option he is to go for, although McIntyre has constructed his play so simplistically that it is not difficult to guess.

The cop, impressively played by Hugh Quarshie, has survived a year in Vietnam without bloodshed, but has come home to a world in which he believes blacks are still getting an impossibly raw deal. What we therefore get, for the last 10 minutes of "Split Second," is a static debate about the nature of being black and a black cop in a white society, and though McIntyre has neatly ranged the cop's wife on one side of the argument ("Shut up and stay out of jail") and his father on the other ("Own up and prove you're not a liar"), it gets no farther than first base.

For though he has managed to write an acidly funny monologue for the doomed white car thief, one that embraces a loathing of humanity worthy of Archie Bunker, McIntyre is oddly unable to write for an otherwise all-black cast with the same sense of rage and freedom. As a result, the play bogs down into portentous truisms about guilt, revenge, confession and absolution, which appear to have been added to a police instruction manual of the mid-1950s.

All of this is a pity, because the director, Hugh Woldridge, has brought together a tough and intelligent cast (Michael Melia as the car thief, Tommy Eyle as the cop's father, Jenni George as his wife, Elvis Payne as his trigger-happy friend and Joseph Marcell as the station superintendent) that plays "Split Second" as though somewhere in it there might be a very good play. If it were the first episode of a new cop show on television I'd have the video recorder on for the second episode, if only to see what happened to them all afterward. A play does not let you do that, and McIntyre seems to have failed to grasp the essential difference. The sooner he starts scripting "Hill Street Blues," the better.

As the curtain-raiser to an impressive new season that will feature plays about Judy Garland and Guy Burgess as well as the first London revival in half a century of S.N. Behrman's "Biography," the Greenwich Theatre is playing host to a New Vic production of Phil

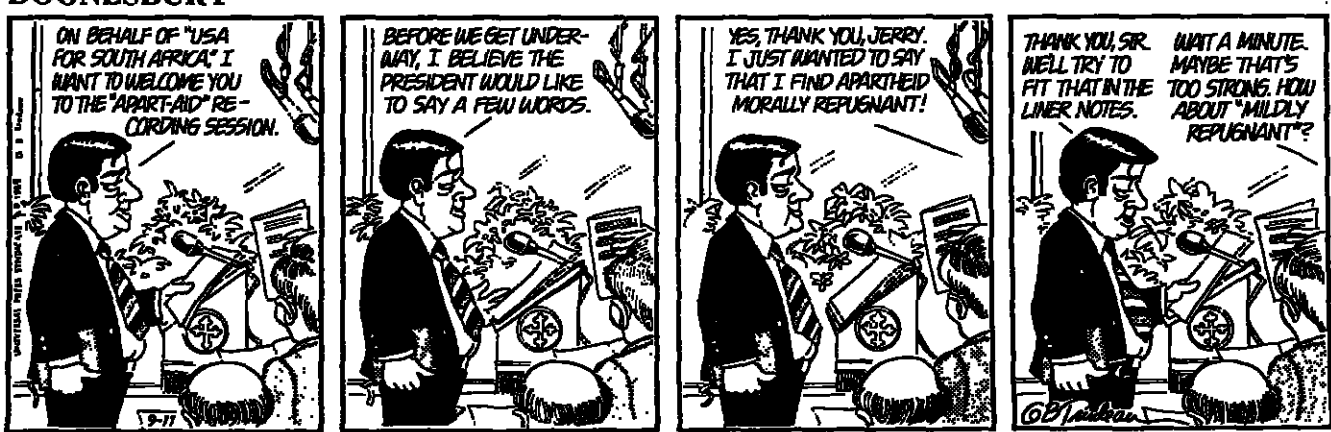
Woods's "Buddy Holly at the Regal." Though the title might suggest yet another evening of rock necrophilia, Woods is not trying to do for (or against) Buddy Holly what Alan Bleasdale is attempting at the Phoenix on Elvis Presley's behalf in "Are You Lonesome Tonight?"

Indeed, Woods has only the most fractional interest in Buddy; for the purposes of this play he might as well be Janis Joplin, Jimi Hendrix or, for that matter, Nellie Melba. We are in fan territory: The central character is not a dead superstar but a fairly live coffee-bar waiter, Derek Duckworth, whose ambition it is to meet Holly and to get to look and sound as much like him as possible.

To remind us what this entails, we have a Holly look-alike (Pike Butler) and a couple of attendant guitarists on a raised platform above the stage to belt out a few Holly hits during scene changes. But all the action takes place in the cavern below, at least until the final and awful moment when Duckworth, having won a "Meet Buddy" contest, actually does so and has his life ruined in the process.

Quite how, it would be unfair to divulge. What is intriguing about Woods (new to me as a writer though an old hand at putting together musicals for the New Vic on tour) is the way he has perfectly remembered the awful gulf that lay between American rock stars of the late 1950s and their British fans — a gulf not just of the Atlantic but of money, style, everything. Where Holly seems literally to glitter with

DOONESBURY



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Colonel Moamer Qadhafi.



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Denmark	D.Kr.	1,500	1,040	570
Finland	F.M.	1,410	760	414
France	F.F.	1,200	644	339
Germany	D.M.	482	261	144
Greece	Dr.	15,400	8,464	4,692
Ireland	Ir.L.	115	62	34
Italy	Lire	276,000	149,040	82,800
Luxembourg	L.F.	9,000	4,876	2,668
Norway	N.Kr.	1,400	765	425
Portugal	Esc.	13,000	7,000	4,000
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INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Sanctions Against Pretoria

President Reagan's switch toward selective economic sanctions against South Africa may simply represent a desire not to see Congress writing him off as a lame duck when he has more than two years left in the White House. Or perhaps he does not want to approach his November meeting with Mikhail Gorbachev tainted by domestic defeat. Whatever his motives, they matter less than the results his decisions will have in South Africa. Here the betting is pretty even — which may justify Mr. Reagan's long reluctance to move more actively against Pretoria's reprehensible two-nation policy.

Trade sanctions, even in those cases when they are internationally coordinated, have historically been an ineffective weapon. This is as true of the attempt to stop Mussolini's attack on Ethiopia as it is of the challenge to the white regime in Rhodesia. Refusal to sell South Africa the goods it needs is a step it can circumvent by routing trade through third countries. And refusal to buy Krugers will at best prove inconvenient for Pretoria: The gold coins can be sold elsewhere, in different forms.

The disruption of capital flows could prove more damaging. But this may not need action by the United States, or by any other nation. Banks may be reluctant for awhile to lend to a country whose immense riches can (almost literally) be undermined

by political instability, and they may not want to court unpopularity at home by leading to an unsavory regime. But the damage this can do to South Africa may again be limited. A country with a large trade surplus does not depend on external finance the way a poor developing country does. And the possibilities of loopholes through which capital can still come in are considerable.

The claim that economic sanctions will make life even more difficult for blacks must also be considered. Less defensible is the argument that sanctions will put more Americans and Europeans out of work because sales to South Africa will fall. We suspect that world trade union solidarity against apartheid is sufficient to resist such a plea — and there are many ways in which governments could help offset job losses.

On balance, we believe the Reagan action should be welcomed, and backed by the actions of other governments. Sanctions alone may not bring the South African government to its knees. But they can strengthen the pressure that white business is already exerting on the Botha government. We would even argue that it is morally right to oppose a distasteful regime by all available means, however limited the impact. The moral imperative should not be sold short, even in today's cynical world.

INTERNATIONAL HERALD TRIBUNE.

Don't Rock the Fed's Boat

The White House is making an important mistake in dawdling over the next appointment to the Federal Reserve Board. In June one of the board's members, Lyle E. Gramley, said he was going to resign. He has now departed, but President Reagan has done nothing visible about a replacement. That encourages speculation that the president is waiting until January, when Charles Partee's term expires and another seat opens. Since Mr. Reagan has already appointed two of the board's seven members, the vacant seats would give him a majority. As the delay over the first seat continues, the struggle over this possible majority is becoming increasingly polarized and polemical among the various denominations of conservative economics.

Mr. Reagan does not disguise his opinion that economic doctrine makes little practical difference one way or the other. He appoints people to economic policy jobs the way the mayors of big cities sometimes choose among their ethnic constituencies for seats on the Sanitation Board — not based on who is right, but rather who is entitled to recognition. It is one thing for the president to appoint the Council of Economic Advisers that way, but the Federal Reserve Board has actual operating responsibilities of formidable dimensions. It exercises a large day-to-day influence over the national economy — a larger influence

than any other part of the federal government. It is a source of deep annoyance to the White House that most people in the financial markets, in the United States and abroad, credit Paul Volcker, the chairman of the Federal Reserve — and not the Reagan economic program — for the drop in the inflation rate. But the opinion exists, and the Reagan administration will endanger its own interests if it lets people think it is trying to undermine Mr. Volcker by appointing his critics to the board. The first effect would be warnings of higher inflation, the second, higher interest rates.

The course of the American economy over the next several years will depend mainly on international influences — the flows of capital and the exchange rates. The Treasury Department's interest and resources in the international field have declined for some years, and its top command is now focused on a wholly different concern, the president's tax bill. Most of the government's expertise in international finance is now concentrated at the Federal Reserve. It is not a good moment to incite quarrels over the fine points of supply-side theory versus monetarism. The next appointees to the Federal Reserve need to be named promptly — people who can contribute to the crucial work now being carried on there and nowhere else in the U.S. government.

— THE WASHINGTON POST.

Other Opinion

Gandhi's Gamble in the Punjab

[Prime Minister Rajiv] Gandhi is involved in his biggest gamble yet, the Punjab elections. On that issue he has staked his entire record. The immediate and most worrying concern is security. The fear is that Sikh extremists may seek to disrupt the elections. If terrorists do unleash a campaign of mass killings, much more than the elections will be washed away in the bloodshed. They could easily provoke a communal backlash from angry Hindus, both inside and outside Punjab. If this were to happen Punjab would once again collapse under the weight of its own disorder.

— The Times (London).

Reagan and the Sanctions

Mr. Reagan has implicitly admitted that his theory of "constructive engagement" toward Pretoria's racist regime has failed. The "punishment" he has decided to inflict on South Africa seems to have been dictated by domestic political needs, not moral considerations. The president has defused the conflict that would have ensued with Congress if, as was expected, it had voted for tougher sanctions. Unlike Mr. Reagan, who is not eligible for reelection, many senators and congressmen are sensitive to the negative effects of widespread public opinion toward a regime that the president himself calls "repugnant."

— Le Monde (Paris).

On the Thai Coup Attempt

There was absolutely no reason to stage a coup d'état. It was a ridiculous power-play that caused the country a tremendous loss of prestige. The coalition of political parties forming the government has been changed several times and there has been an orderly transfer of power. Elections have been held fairly and without any hint of mischief.

To us in Thailand, this is and will be known as a tempest in a teapot. But how other countries will view this is difficult to say, and foreign investors are extremely sensitive people who are likely to see a molehill as a mountain. Let the attempted coup be a warning to those antiquated self-deluders [who think] they can use the military to destroy democracy.

— The Nation Review (Bangkok).

Even those suspected of being coup leaders should be given a fair trial. It must be clearly demonstrated to all that we have the courts to dispense justice and a parliamentary system through which we can express our grievances. Coups have become a thing of the past because the people will not accept an authoritarian government imposed on them. Despite its faults, the Prem Tinsulanonda cabinet has done well under difficult circumstances, and it is up to the people to unite behind this administration against attempts to get it out of office by the display and use of force.

— The Bangkok Post.

FROM OUR SEPT. 11 PAGES, 75 AND 50 YEARS AGO

1910: Reform Urged After Torero Dies
SAN SEBASTIAN, Spain — Letters from Murcia, giving details of the tragic death of the torero Pepe in the bullfight there, are thrilling with horror the many Spanish opponents of the barbarous spectacle. Although no Spanish Government would dare defy the taste for the "corridos de toros," there is a universal cry for reforms announced by Señor La Cierva, which he was unable to carry out after the fall of Señor Maura's Cabinet. Reforms included the refusal of permission to young and inexperienced "matadores" to enter the ring. Pepe had only three years' practice, which is not considered enough for receiving the "alternative" title of "matador." The title is bestowed upon the neophyte by one of the masters, who hands him a sword in public. After this, he is considered to be "de carne" and is entitled to fight bulls of the most dangerous breeds.

1935: 'Kingfish' Is Killed in Louisiana
BATON ROUGE — Senator Huey P. Long died at 4:10 [on Sept. 9]. His final hours were passed in a coma, with his attendants admitting that death was inevitable after the Kingfish had bidden farewell to his family. He was 42 years old. Several hours before the dictator died, the bullet-ridden body of his assassin, Dr. Carl A. Weiss Jr., was borne through a drizzling rain for burial. The Louisiana Kingfish was one of the most colorful characters that ever stepped upon the American political stage. His unusual personality, combining brutality and political chicanery with demagogic ideas expressed in crude but effective rhetoric — he sponsored the "share the wealth" proposal — won him many thousands of supporters among the discontented masses and made it possible for him to aspire to the highest office in the United States.

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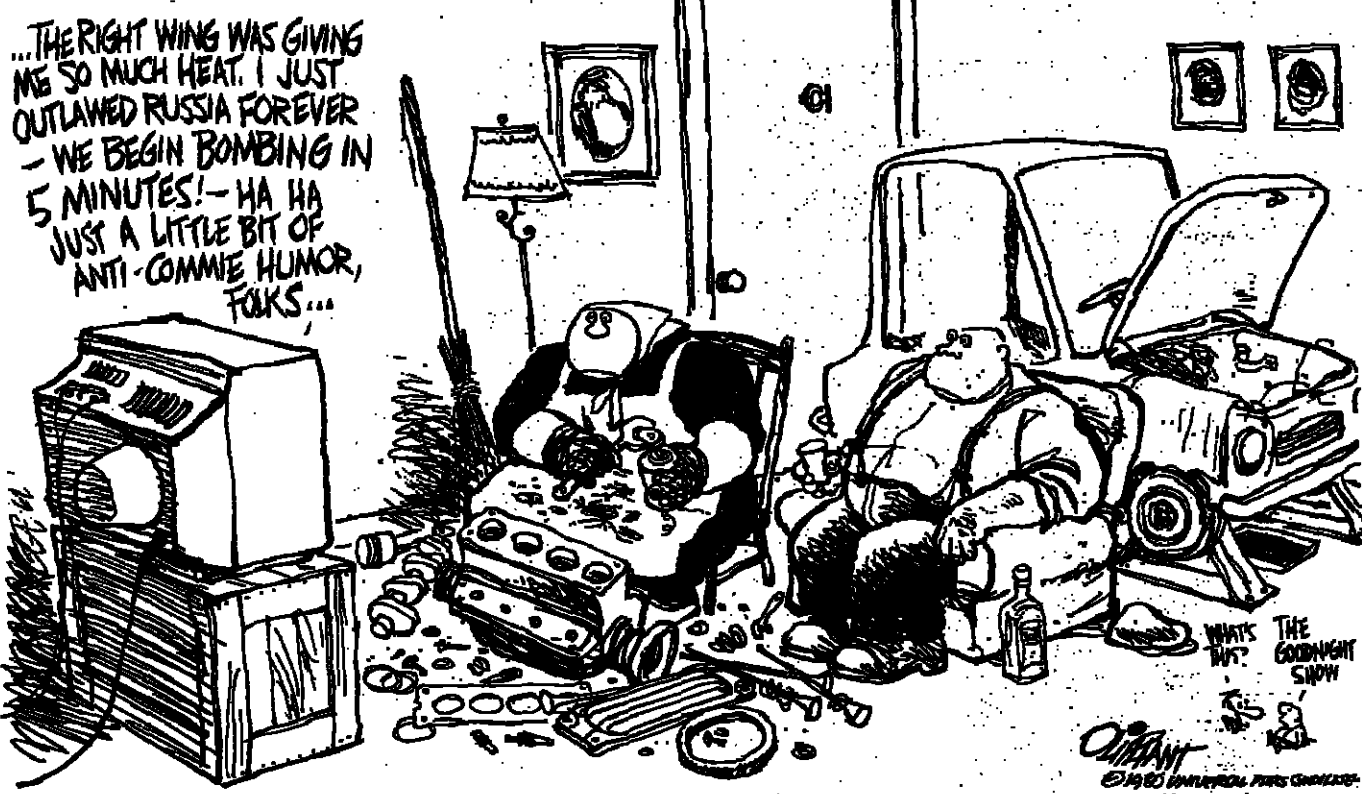
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Reagan wants access to the Soviet media.

Gorbachev: His Dominance Is Not Complete

By Stephen F. Cohen

PRINCETON, New Jersey — Six months after Mikhail Gorbachev became general secretary of the Communist Party, most Western commentators have concluded that he is already the undisputed master of Soviet power and policy. But the real situation is different, as indicated by articles in the Soviet press and by conversations with officials in Moscow. Mr. Gorbachev is secure as party leader, but his plans for "deep transformations" in the economic system have encountered stubborn opposition even at top echelons, as he admits, and his power to legislate such reforms, much less to have them implemented, remains limited.

That the struggle continues should come as no surprise. Soviet political succession has always been a long drama, never a single act. Every new party leader has needed years of patronage, compromise and coercion to extend his authority over broad policy realms. And the fundamental conflict over the Stalinist economic system is now in its fourth decade. Every general secretary since Stalin has sought major changes in the economy, but none has succeeded.

Nor do the leadership changes announced since March suggest that Mr. Gorbachev is as dominant as he is portrayed in so many Western accounts. Except for Grigori Romanov, his only plausible (albeit weak) rival for the general secretaryship, no one has been removed from the Politburo. Its 13 voting members still include five aged but influential survivors of the conservative Brezhnev era — among them Nikolai Tikhonov, the 80-year-old prime minister whose government bureaucracy forms the center of opposition to reform.

As for the other voting members, including four promoted under Mr. Gorbachev, there is no reason to assume they are merely his political creatures. Like Mr. Gorbachev, several are relatively young, reform-minded men who rose rapidly under Yuri Andropov. But once promoted, former loyalists often turn out to have different ambitions, as both Nikita Khrushchev and Leonid Brezhnev discovered.

Moreover, Andrei Gromyko's elevation from foreign minister to president can hardly be interpreted as a victory for Mr. Gorbachev. The view that Mr. Gorbachev "kicked him upstairs" in order to seize control of foreign policy assumes that Mr. Gromyko had monopolized the field and had opposed the new general secretary. There is no evidence for either. Major foreign-policy decisions are made in the Politburo, where Mr. Gromyko remains a full member.

Most significant, Mr. Gorbachev himself did not get the ceremonial presidency, which was sought and won by the three preceding party leaders because it gave them head-of-state status in international affairs. His public explanation — that he was too busy with domestic problems —

was nonsense; he had been meeting regularly with visiting foreign leaders and had already arranged meetings abroad with the French and American presidents. Privately, some Moscow officials say that Mr. Gorbachev wants the powerful office of prime minister. If so, he will have to wage a major battle to repeal a secret 1964 resolution, adopted by the Central Committee when it ousted Khrushchev, prohibiting future party leaders from holding the post.

An upsurge of oblique polemics in the Soviet press provides additional evidence of Mr. Gorbachev's still limited power. As always happens when the top leadership is divided, long-standing advocates and opponents of change in various areas perceive new opportunities or dangers and thus redouble their own efforts. Since March, the press has been filled with conflicting positions on everything from the Stalinist past to today's China. On June 21, Pravda published a long commentary condemning market reforms and foreign-policy initiatives by East European governments.

In July, the equally authoritative Kommunist featured two articles defending those developments.

Mr. Gorbachev's economic policies are at the center of these conflicts. Hinting at more reforms to come, he has called for a restructuring of the entire planning and management system by 1987. Such a restructuring would sharply reduce the direct control exercised by Moscow planners and ministries over local firms, give managers considerably more freedom to operate their enterprises by "economic methods" and cut drastically the vast, middle-level bureaucracy of ministerial agencies. A nationwide expansion of Andropov's limited "experiment" of 1983, it threatens the positions of countless government officials and has aroused strong bureaucratic opposition.

In response, Gorbachev supporters have stepped up their attacks on "the ministerial apparatus." In an Izvestia interview June 1, the well-known re-

former Tatyana Zaslavskaya virtually accused such "group interests" of an unorthodox, if apt, concept in the Soviet Union of sabotaging Mr. Gorbachev's policy. And in a remarkably candid speech June 11, Mr. Gorbachev dropped the customary fiction of a united Soviet leadership.

"The ministries," he charged, "have no interest in the economic experiment." Since the ministries have representatives and allies on the Politburo and the Central Committee, the obstacles to Mr. Gorbachev's reforms appear plentiful.

None of this is new. Twenty years ago, the fledgling Brezhnev-Kosygin leadership introduced a similar reform only to have it disappear in the government bureaucracy. But though many circumstances remain the same, much has changed. Given Mr. Gorbachev's youth, the lagging Soviet economy and a growing reformist mood among the elite, he may succeed, but not without a long struggle.

The writer is a professor of politics at Princeton University and a frequent commentator on Soviet affairs.

Regan's Failings as 'Prime Minister'

By Lou Cannon

WASHINGTON — When President Reagan was in the hospital recovering from cancer surgery, his chief of staff and self-styled prime minister wanted to make the daily round-trip from the White House to Bethesda Naval Hospital by helicopter. Donald Regan dropped the idea after the first lady, Nancy Reagan, expressed doubts about it, but the episode expressed a symbolic truth about Mr. Regan's self-importance.

As the president heads into the rough waters of his second term, Mr. Regan is big stuff in the White House. He has been indisputably in charge since taking over from James A. Baker 3d in February and has been virtually a deputy president since Mr. Regan's surgery.

Departing from tradition, Mr. Regan saw to it that he was introduced at presidential speeches. He organized the White House in a hierarchical fashion that he preferred to describe as corporate, becoming the funnel to the president for other aides who might have brought unpleasant information. Only Vice President George Bush and the president's national security adviser, Robert McFarlane, have independent access, and Mr. Regan's men have denigrated Mr. Bush and made no secret of their dislike of Mr. McFarlane.

By his own account, Mr. Regan does not desire to change the president's thinking. Instead, he has urged Mr. Reagan not to demonstrate "weakness" by compromising with his critics.

Many Republican officeholders

think Mr. Regan has become too big for his britches. Even some of Mr. Regan's aides suggested to him that he was oversteering the prime minister routine, and Mr. Regan made a point of staying off the speaker's platform when the president resumed his tax-overhaul campaign.

In an interview in the Sept. 9 issue



of Business Week, Mr. Regan offered revealing glimpses of his thinking. "One of the reasons I've gained so much prominence is because of the blame coming my way," he said. "It's kind of nice for the president to be able to lay off the blame and say, 'I didn't do it, it was somebody down the line.' There's nothing wrong with that as long as it goes both ways."

Serving the Public, and the Pocketbook

By William Safire

WASHINGTON — Politicians are making money as never before, and that is wrong. Public service should not be such a direct road to private gain. David Stockman spent four years on the relatively low salary as head of the Office of Management and Budget, then swung a \$2-million deal for his memoirs. In effect, the fame he gained in his job supplemented his government salary by \$500,000 a year.

House Speaker Tip O'Neill and Jeane Kirkpatrick have signed million-dollar book deals and Mrs. Kirkpatrick will get an additional \$1 million for lectures. Nothing new there: Ever since Mark Twain made it possible for the dying Ulysses Grant to get out of debt by writing memoirs, public officials — and especially former presidents — have cashed in after going out.

Me too. I was making \$2,000 a year as a White House speechwriter, and contracted for a \$250,000 book advance when I departed. After the Nixon fall, the publisher reneged (watch that acceptability clause!) but the principle is the same: The salary of the person in power, or in proximity to power, must now be calculated by combining his public pay with his post-public bonus for being celebrated or spilling what he has learned. The formula: Real salary equals public payroll plus private bonus divided by years in office.

So what's wrong? Does the lure of memoir megabucks not increase the amount of information available about the inner workings of government? Doesn't almost everyone who invests time in government come out more valuable in the private sector?

Sure, sure, and no true free-enterprise will knock the auction market for enhanced talent. But something else is afoot. Book-contract bonanzas and media-biz status are no longer surprise fallouts from public service. That bonus of celebrity is now fattened into almost every political career plan. The altruism that used to attract good people to politics is passé. So is simple power lust. The whopping new profit in high-level politics is stripping the profession

of what once was a noble sense of personal sacrifice. Idealism, idealism — politics pays.

We should stop letting political figures get away with legalism on the ground that public service is such a financial burden.

For more than four years, the presidential aide Michael Deaver proclaimed loudly of the honors of having to live on a \$60,000 salary. To soothe his psyche the Republican National Committee put his wife on its payroll, in effect doubling the Deaver political take. Senator Paul Laxalt may not directly be getting his Senate salary supplemented from the Republican Party, but his daughter is on the payroll as a consultant for a reported \$5,000 a month, and her former partner in public relations is making another \$5,000 a month. Stipulate that both could earn as much outside of the room — is it cynical to assume that the senator's daughter is paid by Republican donations largely because her father wants her on the payroll?

Why aren't the Democrats, who raise only \$1 for every \$6 the Republicans raise, pointing to this as evidence of nepotism or ethical callousness? Why do they not make an issue of the payments made to President Reagan's daughter for the sort of thing that Margaret Truman and Julie Nixon used to do as volunteers? Answer: Because the Democratic National Committee is unwilling to say how much it has paid Jimmy Carter's son Chip so far this year.

Both national committees have allowed themselves to become conduits for contributions to the families of the famous and powerful. Because nobody evidently sees this as shameful, it is likely to grow, adding to the gilding of the good life of politics.

I see nothing wrong with politicians using contacts to get children entry-level jobs or volunteer internships. I see plenty wrong with the backdoor financing of officeholders' incomes, especially when political life offers such a huge balloon payment at its conclusion.

The New York Times.

In China, A Guarded Relaxation

By Anthony Lewis

SHANGHAI — We were walking on the Bund, the famous waterfront esplanade here, when a young man came up and asked, in English, "Where are you from?" Massachusetts. "Ah," he said, "the Bay State."

In a minute a dozen other young people had crowded around, and joined the conversation. They had learned English in school, in college, in one case in a mining institute. They knew a lot about the United States. One said a university classmate of his was at the Massachusetts Institute of Technology as a visiting student.

It happens all the time in China nowadays. People are eager to try out their English, and they have no hesitation in striking up conversations on the street. Yet just a few years ago the Chinese feared any contact with foreigners. The briefest encounter could bring a police warning or worse.

This is a relaxed country in comparison with the recent past — and in comparison with the Soviet Union. Unofficial magazines and vulgar tabloids are printed and sold everywhere. Copying machines, which are closely controlled in the Soviet Union, are readily available here; there are Copy Shops, identified by signs in Chinese and English.

But one must beware of thinking that China is a free society in the Western sense. It is a one-party state whose constitution condemns the use of "any means whatsoever to undermine the socialist system."

Criticism of past policies is acceptable, indeed eagerly offered. But people are much more guarded about current events. Yes, corruption scandals are aired in the official press, and management of institutions is criticized. But there is no open debate about fundamental policy.

Americans pay less attention to human rights questions in China than in the Soviet Union. That may be because of a tendency to romanticize China. Or it may be that Americans simply do not know the Chinese well enough. But here also there are some who yearn for greater freedom.

For a brief time those feelings were allowed expression in posters on Beijing's Democracy Wall. The leading figure in that movement, Wei Jingsheng, called for real democracy and individual rights guaranteed by law. But in 1979 the experiment was crushed and Mr. Wei sentenced to 15 years in prison for "counterrevolutionary" propaganda and passing "military secrets" to a foreigner.

His case evidently troubled the leadership. Last year, Amnesty International said Mr. Wei was reportedly being held in solitary confinement. But current reports say he is being well treated, not required to work and allowed books and visitors. Some think he may be released soon.

In fact, official policy on freedom of speech has wavered lately. Hu Qili, a key figure in the party secretariat, called for "freedom of literature and art" in a speech to the Chinese Writers' Association last January. Some well-known journalists then wrote that their profession, too, needed freedom — with legal guarantees.

But in February, the party chairman, Hu Yaobang, said that while "there must be complete freedom of creation in literature," journalism must not "copy this slogan." Journalism's function was "very different," he said; it was to be "the party's mouthpiece." That line was said to be pushed by the chief party propagandist, Deng Lihou, but then in July he lost his job.

Behind the uncertainty is the fear that too much freedom will lead to chaos. It is an ancient fear in China, a huge, diverse country held together by tyranny for most of its history.

"It will not work to take Western technology without Western freedom to express individual ideas," one intellectual told me. "In China, officials and too used to stating their ideas and having people follow." But others say that Western "decadence" must be kept out.

One great reality may limit retreat from today's relatively relaxed atmosphere. That is the memory of the Cultural Revolution, with the brutalities it inflicted on so many. But even that is not certain in a society that has seen so many sharp changes.

When an editor said young people scorned the absurdities and horrors of the Cultural Revolution, I asked: So those bad times cannot return? He answered: "It should be so, and I hope it will be so."

The New York Times.

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LETTERS TO THE EDITOR

Nuclear Asymmetry

Regarding the editorial "The Other Talks in Geneva" (Aug. 31):

The distinction between nuclear and nonnuclear weapons countries was not created by the Nuclear Non-proliferation Treaty. It predates the treaty, which was meant not to correct the asymmetry, but to prevent a bad situation from getting worse. The nuclear asymmetry is tolerated by an overwhelming majority of nations.

But to keep U.S.-Soviet arms control separate from the problem of nuclear proliferation in the rest of the world, as suggested by the editorial, may in the long run be impossible. As long as the nuclear powers act as if nuclear weapons were politically and militarily useful, some nonnuclear weapons countries may feel that they too must obtain these advantages.

JOSEF GOLDBLAT, Geneva.

A National, Not a Citizen

Allister Sparks, in his revealing opinion column "So Bona Changed His Mind and Thumbed His Nose" (Aug. 20), writes about Mr. Bona's intent to draw "a semantic distinction between 'citizenship' and 'nationality.'" The distinction is not just semantic, witness the language of U.S. passports: "The Secretary of State of the United States of America hereby permits all whom it may concern to permit the citizen(s) national(s) named herein, to pass without delay or hindrance, and so on."

This causes problems for naturalized citizens, like myself, when filling out boarding passes or hotel cards: a native American is a U.S. national, but a naturalized citizen is only "citizen." So one cannot legally give one's nationality as "American."

ALEXANDER S. REINHARDT, Lisbon.

INSIGHTS

Discontent
Of Yugoslavs
Dims Tito's
Reputation

By Michael Dobbs

Washington Post Service

BLED, Yugoslavia — The historical reputation of Josip Broz Tito, one of the most colorful of 20th-century leaders, seems ripe for reassessment.

It is now five years since the death of the Moscow-trained Communist who led a guerrilla uprising against German occupation and went on to rule a trial of strength with the Soviet dictator, Joseph Stalin.

Here in the Alpine surroundings of Lake Bled, where Yugoslavia's prewar kings retreated for the summer, Tito's old villa has just been reopened as a luxury hotel. Tourists wander through marble halls decorated with frescoes of Yugoslav partisans blowing up Nazi tanks in World War II and husky women laboring to reconstruct a devastated country.

Elsewhere in Yugoslavia, productive uses gradually are being found for the chain of palatial residences specially constructed for Tito. Some have been turned into museums. Others have been handed over to the local authorities as villas for distinguished foreign visitors.

The "de-Titoization" process may not have been as startling as the political upheavals that took place in Spain after Franco or China after Mao. But to a foreign journalist returning to a country that he knew well while Tito was alive, the changes are nonetheless dramatic.

Tito's political heirs have discovered that they have inherited a potentially explosive combination of economic strains, popular discontent and national unrest.

The political atmosphere is freer now than it was five years ago but, in material terms, Yugoslavs are much worse off. People grumble more openly than they ever did before. There is a widespread mood of disillusionment and frustration, as if the country is sinking slowly while the politicians argue among themselves.

Tito himself seems to have faded into history. To be sure, his fatherly portrait continues to gaze down from hundreds of thousands of office walls and his tomb in Belgrade still is a place of pilgrimage. But his personality and achievements no longer seem all that relevant.

"People understand that Tito left behind a system that cannot function," remarked Mihajlo Markovic, a dissident philosophy professor at Belgrade University. "Increasingly his name is not mentioned or, when it is, nobody reacts."

To maintain the delicate balance among the country's different national groups, a collective leadership representing the six republics and two autonomous regions now governs the Yugoslav federation in a system of long consultations and rule by consensus. It is almost a recipe for perpetual stalemate.

"There is a political vacuum," commented Dusan Bibac, a historian from Slovenia, who fought with the partisans during the war. "No body has tried to replace Tito. If anybody did, it would be a farce."

THE mood of ordinary people was captured in a plaintive letter to the Belgrade weekly *Nin* a couple of weeks ago: "People have begun to lose confidence both in each other and in a political leadership which either is not able to carry out its own decisions and



Tito at 86, at a nonaligned conference in 1978, two years before his death.

resolutions or carries them out very slowly. People are losing hope."

Inflation has soared as the government struggles to pay back foreign debts of more than \$22 billion accumulated in Tito's last decade. Unemployment is rising. Living standards are back at about the level of the mid-1960s, in the opinion of many economists.

Under pressure from the International Monetary Fund and Western banks, austerity has been imposed. But leaders seem unable to agree on political or economic reform.

The roots of Yugoslavia's present crisis go back to the aftermath of World War I when the country came into being as the kingdom of Serbs, Croats and Slovenes. Uniting the South Slav ("Yugo-Slav") states after so many centuries of separation proved a difficult task.

After the second World War, Tito sought to

— but there always was someone to knock their heads together in the event of a crisis. Now, by contrast, Yugoslavia is suffering from a combination of excessive political interference in the running of the economy and a paralyzed decision-making apparatus.

"The basic reasons for our economic crisis are political," insisted Vojislav Stanovic, a professor of political science in Belgrade. "We can live with weak government as long as the economy does not suffer. The problem here is that the politicians control the economy."

In retrospect, many informed Yugoslavs now blame Tito for lack of foresight. Most of the ills afflicting the Yugoslav economy and political system can be traced directly to decisions made during his lifetime.

"Tito was a great politician in the sense that he was brilliant at achieving and holding onto

come instead a confederation. A recent study showed that the level of trade among the Yugoslav republics has been decreasing steadily and now is proportionately lower, in terms of percentage of national income, than trade among different West European countries.

For the outside world, the key question of course is whether the tensions that have surfaced in Yugoslavia over the past few years can be contained or whether the country is headed sooner or later for an explosion. Given Yugoslavia's sensitive geo-political position, any social upheaval here could have important consequences for both East and West.

There are plenty of alarmist scenarios abroad. Their point of departure is the assumption that the present stalemate cannot continue forever. Some kind of popular revolt or pre-emptive strike by the ruling bureaucracy to preserve its privileges cannot be ruled out.

"There are so many potential conflicts here," said a Belgrade intellectual. "This country could turn into a Lebanon within a few months."

Yugoslavia's very complexity, however, acts as a kind of guarantee against dramatic political shifts. In a country of half a dozen different nationalities, and even more ethnic minorities, there is no such thing as a unified political class. Nor is there a unified political opposition. The rival nationalisms have a tendency to cancel each other out.

"Workers in Zagreb would never unite with workers in Belgrade," commented Mr. Stanovic, explaining why an all-Yugoslav protest movement along the lines of Poland's Solidarity trade union is impossible to conceive in Yugoslavia.

A much more likely form of protest — and one that already has been occurring to some extent — is the passive go-slow. When water supplies failed in the Serbian town of Kraljevo a few weeks ago, there were no public demonstrations. But production in local factories is reported to have dropped by about 30 percent.

"Rebellions happen in times of prosperity," said Mr. Boskovic. "These days people rebel in a way that is typical of Socialist countries: They simply stop working."

Yugoslavia's new leaders acknowledge that the economic and social climate has worsened since Tito's death. But they insist that widespread popular support for Tito's policies of independence and nonalignment abroad and workers' self-management at home have helped maintain the country's political stability.

"People may want to get rid of us," joked Mr. Ribicic about politicians, "but they want to keep the system."

Wobblies Struggle
To Keep Union Alive

By William A. Serrin

New York Times Service

CHICAGO — The convention got under way an hour late. The masking tape broke loose and a banner fell off the wall. The report of the general executive board could not be presented. It was said to be in the mail. Another temporary chairman had to be elected to replace the first temporary chairman, who also was on the luncheon committee and had to go out for food.

Yet, when the Industrial Workers of the World gathered here late last month, it was a satisfying convention at that.

Only 22 Wobblies (the group's nickname, some say, was derived from a mispronunciation of the abbreviation IWW) were on hand. But this remnant of the famous radical union was committed to keeping alive the old group, which was dedicated to the formation of "one big union" and probably was the most storied organization in the history of the American labor movement.

The weekend meeting here was the 43d general convention of the IWW, founded in June 1905 in Chicago by 112 resolute radicals, including William D. Haywood, the Reverend Thomas J. Hagerty, Lucy Parsons, Daniel de Leon and Eugene V. Debs.

The union, which embraced all industries and aimed to abolish the wage system and create a new order, achieved its greatest vigor from 1915 to 1918, with a membership of perhaps 30,000 people. But it was confronted with internal dissension, iron-willed employers and government law enforcement agencies. Its strength waned after World War I, leaving what Melvyn Dubofsky, in his book "We Shall Be All: A History of the Industrial Workers of the World," called an "invaluable legacy" for Americans who favor "direct action, passive resistance and civil disobedience."

The Wobblies, however, are still organizing. Drives are under way among apple pickers in Washington, education workers in Ohio, printers in Michigan and shipworkers in Alaska. The group represents workers in about 15 shops, mostly typesetting. Membership in 36 states, Europe and Guam, now is 500 to 1,000, up from about 100 in the 1950s, according to Jon Bekken, IWW general secretary-treasurer.

Mr. Bekken, a typesetter from San Diego who joined the Wobblies in 1978, said he sees a renaissance for the IWW. The economy will stagnate, he said, and the IWW, with a base of slow, steady growth, will be the "instrument to launch a dramatic growth."

"I just got Lane Kirkland's Labor Day message," Mr. Bekken said. "He says the labor movement is stronger than ever. I just don't believe it." He told the convention delegates: "It's quite clear at the AFL-CIO and the business unionism it represents is failing."

IN May 1986, the Wobblies will host in Chicago an international conference of militant unionists to discuss unemployment, working conditions, transnational employers and other labor matters.

It soon will begin selling a 1986 calendar to mark the 100th anniversary of the Haymarket fight, in which laborers who were demanding an eight-hour workday demonstrated in Haymarket Square, led by a small group of radicals. When the police attempted to break up the protest, a bomb exploded and a riot ensued. Seven policemen and four other persons were killed and 100 were wounded. The eight leaders of the protest were tried and convicted of inci-

ing violence. Four were later hanged in the officers' deaths.

The group also expects to issue a record of old Wobbly songs. It should be out by next May 1, a spokesman said.

It might be expected that an outfit like the IWW would be in the red. Such is not the case. The convention reported assets of \$14,098 and liabilities of \$1,481 for a surplus of \$12,617.

During the convention, Fred Thompson, 85, a sawmill and construction worker who joined the union in 1922, and who co-authored a book on the Wobblies, "The IWW: Its First 70 Years," showed a visitor his red-covered IWW membership book with stamps designating payment of



The New York Times

monthly dues. It bore the old Wobbly message: "Instead of the conservative model, 'A fair day's wage for a fair day's work.' We must inscribe on our banner a revolutionary watchword, 'Abolition of the wage system.'"

The radicals, mostly young, except for Mr. Thompson, who gathered in a hall above a cabaret on Chicago's North Side, seemed no less determined than the radicals of old, despite their small numbers and seeming problems with administration.

Carlos Cortez, a long-haired man in a big hat, was elected temporary chairman, following an IWW tradition. If the general secretary-treasurer acted as chairman, he might "dominate you or railroad you," Mr. Bekken told the delegates.

Addressing each other as "Fellow Worker," reports from IWW regions, or branches, were quickly made. Activities were reported in cities around the nation.

The recording secretary, Allan Anger, told the members they had to make written reports in addition to their oral reports. "I'm not going to write all this stuff down," he said.

Mr. Bekken, a thin, articulate man who earns \$275 a week as general secretary-treasurer, said he knows the IWW is small. But he, like other Wobblies, does not believe he is beating his head against a wall.

"It's hard for us to organize when people are real scared of losing their jobs," Mr. Bekken said, echoing complaints of mainstream unions. "Capitalism is not about to collapse" because of IWW activities, he added.

"I never died," an old labor anthem says of Joe Hill, the Wobbly martyr, convicted of murder and executed by a firing squad in November 1915 in Utah.

Mr. Bekken said the IWW never died either.

Profiling: Stalking a Criminal's Mind

By Bob Baker

Los Angeles Times Service

LOS ANGELES — It was 1956. New York police officers, frustrated in their efforts to catch a man who was setting off bombs in movie theaters and other public places around the city, asked a psychiatrist, James A. Brussel, to study the letters and other evidence that the so-called "Mad Bomber" had left behind.

Mr. Brussel's conclusion: The suspect was a quiet, meticulous, paranoid East European man from 40 to 50 years old who lived with a maiden aunt or sister in a Connecticut city, and when the police caught him he would be wearing a double-breasted suit. Buttoned.

When the police arrested George Metesky, of Waterbury, Connecticut, they found Mr. Brussel's profile was extraordinarily accurate, right down to the suit.

It is telling that the episode remains the finest moment in the much-romanticized art of psychological profiling, a process in which the known suspect's next move is predicted by the clues he leaves behind.

Today, the Federal Bureau of Investigation maintains a wanted computerized profiling operation in Quantico, Virginia. Portrayed as "mind hunters" by a wave of favorable publicity, profilers handle 300 referrals a year from local law enforcement agencies who are looking for serial killers or rapists.

However, if past cases are any indication, the bureau's descriptions contain little that leads the police directly to the criminals.

The best the profile probably will do is save detectives valuable time by winnowing out many tips that have poured in.

"It's not going to tell you that's he's a blue-collar worker who goes to church three times a week," said Robbie Robertson, a former Michigan state police captain experienced in serial murder cases.

"Killer don't leave that much information at the scene about their personalities," said Dr. James Alan Fox, a criminal justice professor at Northeastern University in Boston who co-authored a book earlier this year on mass murderers.

Bob Keppel, a member of the Washington state attorney general's office, said, "They're not really telling us anything new." Mr. Keppel spent four years as chief detective in the search for Ted Bundy, a serial killer, and is now a consultant to a task force seeking the "Green River Killer," who has murdered numerous prostitutes in Seattle. "What they're telling us are things they think are most prominent in a case."

The basic advantage that the FBI's profilers have over local investigators in correlating clues and behavior is experience.

Since 1978, agents in the FBI Academy's Behavioral Science Unit have been conducting prison interviews with murderers such as Charles Manson, David Berkowitz, who is serving time in prison for the "Son of Sam" murders

LOS ANGELES
Police Bulletin
OFFICIAL PUBLICATION OF POLICE DEPARTMENT, CITY OF LOS ANGELES, CALIFORNIA
Daryl F. Davis, Chief of Police
THURSDAY, AUGUST 29, 1985"NIGHTSTALKER" MURDERER
INFORMATION WANTED

in New York; and Richard Speck, who murdered eight student nurses in Chicago in 1966. Nearly 50 murderers have answered a 57-page questionnaire that examines details such as how the killer approached his victim, what he said to the victim and how he reacted after he killed.

Advice given in past cases provides a glimpse of the areas on which the profilers have concentrated:

• Did the killer stab the victim's sex organs? The more vicious that kind of mutilation, the greater are the odds that the killer knew the victim.

• Did the killer use whatever weapon was available, such as an iron fireplace accessory? That indicates that the act was impulsive, and should lead detectives to suspect that the killer came on foot. If the killer brought his own weapon, he probably drove there.

• Does the killing appear to have been committed with sudden fury? That indicates a youthful killer, possibly nervous and determined to subdue his victim quickly. Similarly, the more methodical, sadistic murderer leads investigators to suspect a person in his 20s or 30s.

• Did the killer carry away an artifact, like a bracelet or a compact? He may be doing that so that he can later recreate the experience by himself.

• In the case of a rape, did the attack take place with anyone else around? That can indicate that the suspect has a self-styled "macho" personality.

• In a slashing, was the victim killed with a single slash across the throat? That should lead detectives to suspect that the suspect has killed before.

"It draws you away from the suspects that are

totally opposite in character," said Mr. Keppel. He said that a profile produced in 1974 by local authorities and psychological experts in the search for Mr. Bundy, a convicted killer suspected of murdering as many as 40 girls and women mostly in the Northwest, "helped us pick out or choose our hundred best suspects out of the 3,500 that we had. One of them was Bundy."

It is relatively rare that a profile actually leads police to the killer.

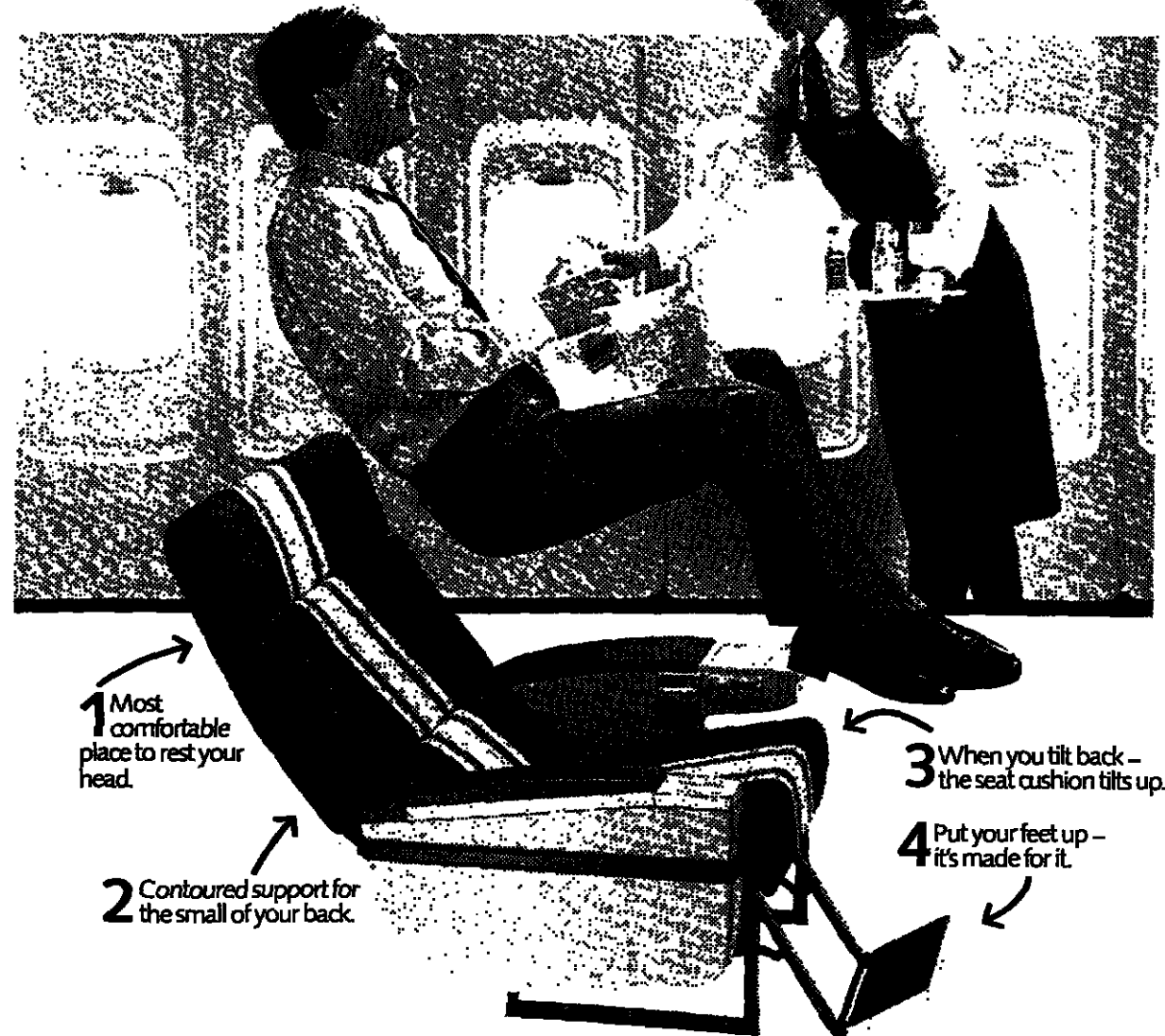
According to a source familiar with the profiling process, a 1981 FBI study found that of 192 cases in which a profile was prepared, a suspect was arrested 88 times. Of those 88 cases, the profiles led to the identification of the suspect 15 times, or 17 percent. In about three-quarters of the 88 cases, the profile was thought to have helped focus the investigation.

The art of profiling has had failures as well-publicized as Mr. Brussel's success. In the early 1960s, a committee of psychiatrists and psychologists was established to catch the "Boston Strangler."

The experts decided that he was not one man but two. They said that both lived alone and were probably schoolteachers, and that one was a homosexual. The person who confessed to 13 strangulations, Albert DeSalvo, was a heterosexual construction worker with a wife and children.

Dr. Fox, the Boston criminal justice professor, said that while he believes the FBI has set a new standard for profiling, law enforcement sometimes puts too much emphasis on the value of profiles.

"Serial killers tend to be very good at what they do; they're the cream of the crop," he said.

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NYSE Most Actives				
Vol.	High	Low	Last	Chg.
IBM	124 1/2	124 1/4	124 1/4	+ 1/4
AT&T	101 1/2	101 1/4	101 1/4	+ 1/4
GE	50 1/2	50 1/4	50 1/4	+ 1/4
Amgen	17 1/2	17 1/4	17 1/4	+ 1/4
Amgen	17 1/2	17 1/4	17 1/4	+ 1/4
Amgen	17 1/2	17 1/4	17 1/4	+ 1/4
Amgen	17 1/2	17 1/4	17 1/4	+ 1/4
Amgen	17 1/2	17 1/4	17 1/4	+ 1/4
Amgen	17 1/2	17 1/4	17 1/4	+ 1/4
Amgen	17 1/2	17 1/4	17 1/4	+ 1/4

Dow Jones Averages				
Open	High	Low	Last	Chg.
Indus	1337 1/2	1346 1/4	1346 1/4	+ 8 1/2
Trans	100 1/2	101 1/4	101 1/4	+ 1/4
Com	322 1/2	323 1/4	323 1/4	+ 1/4

NYSE Index				
High	Low	Close	Chg.	Vol.
1346 1/4	1346 1/4	1346 1/4	+ 8 1/2	1346 1/4

NYSE Closing				
Vol. of 4 P.M.	1346 1/4	Prev. 4 P.M. vol.	1346 1/4	Prev. consolidated close
				1346 1/4

AMEX Diaries				
Class	Prev.	Chg.	Vol.	Chg.
Advanced	175	+ 1/4	175	+ 1/4
Declined	175	- 1/4	175	- 1/4
Unchanged	175	0	175	0
New High	175	+ 1/4	175	+ 1/4
New Low	175	- 1/4	175	- 1/4
Volume up	175	+ 1/4	175	+ 1/4
Volume down	175	- 1/4	175	- 1/4

NASDAQ Index				
Class	Prev.	Chg.	Vol.	Chg.
Composite	284 1/2	+ 1/4	284 1/2	+ 1/4
Industrial	284 1/2	+ 1/4	284 1/2	+ 1/4
Finance	284 1/2	+ 1/4	284 1/2	+ 1/4
Insurance	284 1/2	+ 1/4	284 1/2	+ 1/4
Utilities	284 1/2	+ 1/4	284 1/2	+ 1/4
Trans.	284 1/2	+ 1/4	284 1/2	+ 1/4

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
Wells	100 1/2	100 1/4	100 1/4	+ 1/4
Wells	100 1/2	100 1/4	100 1/4	+ 1/4
Wells	100 1/2	100 1/4	100 1/4	+ 1/4
Wells	100 1/2	100 1/4	100 1/4	+ 1/4
Wells	100 1/2	100 1/4	100 1/4	+ 1/4

Dow Jones Bond Averages				
Close	Chg.	Vol.	Chg.	Vol.
100 1/2	+ 1/4	100 1/2	+ 1/4	100 1/2

NYSE Diaries				
Class	Prev.	Chg.	Vol.	Chg.
Advanced	175	+ 1/4	175	+ 1/4
Declined	175	- 1/4	175	- 1/4
Unchanged	175	0	175	0
New High	175	+ 1/4	175	+ 1/4
New Low	175	- 1/4	175	- 1/4
Volume up	175	+ 1/4	175	+ 1/4
Volume down	175	- 1/4	175	- 1/4

Odd-Lot Trading in N.Y.				
Symbol	Buy	Sell	Chg.	Vol.
IBM	100	100	0	100
AT&T	100	100	0	100
GE	100	100	0	100
Amgen	100	100	0	100
Amgen	100	100	0	100

Standard & Poor's Index				
High	Low	Close	Chg.	Vol.
1346 1/4	1346 1/4	1346 1/4	+ 8 1/2	1346 1/4

AMEX Sales				
4 P.M. volume	1346 1/4	Prev. 4 P.M. volume	1346 1/4	Prev. consolidated volume
				1346 1/4

AMEX Stock Index				
High	Low	Close	Chg.	Vol.
1346 1/4	1346 1/4	1346 1/4	+ 8 1/2	1346 1/4

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
Wells	100 1/2	100 1/4	100 1/4	+ 1/4
Wells	100 1/2	100 1/4	100 1/4	+ 1/4
Wells	100 1/2	100 1/4	100 1/4	+ 1/4
Wells	100 1/2	100 1/4	100 1/4	+ 1/4
Wells	100 1/2	100 1/4	100 1/4	+ 1/4

NYSE Plunges in Heavy Trading

The Associated Press
NEW YORK — Prices on the New York Stock Exchange skidded to a broad loss Tuesday in the heaviest trading in nearly five weeks. Much of the decline came in the afternoon and reflected futures-related trading by several brokerage houses, analysts said. Last-minute buying lifted prices above their worst levels, however.

The Dow Jones average of 30 industrials dropped 5.82 to 1,333.45, erasing its 3.58-point gain on Monday.

Losers overall swamped gainers by more than 2-to-1 on the New York Stock Exchange, whose composite index fell 0.80 to 108.32.

Big Board volume swelled to 104.73 million shares from 89.85 million in the previous session. It was the first time since Aug. 8 that activity exceeded 100 million shares.

The index-related trading, known as "program trading," is part of complex strategies that brokerage firms use to profit on the difference in price between various stock indexes and futures contracts on those indexes.

The programs have been used increasingly over the past few months, and have added unpredictable volatility to the market, especially when trading is otherwise quiet.

Such was the case on Monday, when the brokers bought the futures contracts and sold many of the stocks comprising the indexes in order to take advantage of their price spread.

Before the programs hit the market, stock prices had been holding at slightly lower levels amid investors' continued uncertainty about the economy's outlook.

"There was really nothing going on, and in

markets like this the sell programs loom larger than life and there's no buying to offset them," said Hildegard Zagorski, second vice president of Prudential-Bache Securities Inc.

In the absence of economic developments, takeover-related and other special-situation stocks also continued to dominate Wall Street's attention.

Richardson-Vicks climbed 1% to 48 after surging 6% on Monday, when it rejected an acquisition offer from Unilever.

General Foods, a component of the Dow Jones industrial average, jumped 2% to 90 after soaring 7% on Monday, when rumors resurfaced that Philip Morris was interested in buying General Foods. Philip Morris rose 3% to 79 1/2.

Pan American World Airways, frequently rumored to be a takeover target, gained 3% to 8 after a block of one million shares crossed at 8 1/2.

Paradyne rose 1 1/2% to 9 1/2 and was the NYSE's biggest percentage gainer. On Monday the computer-maker settled a suit brought by the government that charged Paradyne with fraud in winning a federal contract. Paradyne agreed to the settlement without admitting or denying any wrongdoing.

On the downside, active losers included International Business Machines, off 1 1/2% to 127 1/2; McDonald's, down 1% to 66, and Martin Marietta, which slipped 2 1/2% to 35 1/2.

American Standard was unchanged at 28 1/2; a 865,000-share block traded at 28 1/2.

Nationwide volume in NYSE-listed issues, including trades in those stocks on regional exchanges and in the over-the-counter market, totaled 127.94 million shares.

12 Month	High	Low	Stock	Div.	Yld.	PE	52	High	Low	Close	Chg.
12	12	12	IBM	3.00	6.00	15.00	12	12	12	124 1/4	+ 1/4
12	12	12	AT&T	2.00	4.00	10.00	12	12	12	101 1/4	+ 1/4
12	12	12	GE	1.00	2.00	8.00	12	12	12	50 1/4	+ 1/4
12	12	12	Amgen	0.50	1.00	4.00	12	12	12	17 1/4	+ 1/4
12	12	12	Amgen	0.50	1.00	4.00	12	12	12	17 1/4	+ 1/4

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12	12	12	GE	1.00	2.00	8.00	12	12	12	50 1/4	+ 1/4
12	12	12	Amgen	0.50	1.00	4.00	12	12	12	17 1/4	+ 1/4
12	12	12	Amgen	0.50	1.00	4.00	12	12	12	17 1/4	+ 1/4

12	12	12	IBM	3.00	6.00	15.00	12	12	12	124 1/4	+ 1/4
12	12	12	AT&T	2.00	4.00	10.00	12	12	1		
12	12	12	GE	1.50	3.00	7.50	12	12	12	124 1/4	+ 1/4
12	12	12	Westinghouse	1.00	2.00	5.00	12	12	12	124 1/4	+ 1/4
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12	12	12	General Electric	1.00	2.00	5.00	12	12	12	124 1/4	+ 1/4
12	12	12	Westinghouse	1.00	2.00	5.00	12	12	12	124 1/4	+ 1/4
12	12	12	General Electric	1.00	2.00	5.00	12	12	12	124 1/4	+ 1/4
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12	12	12	Westinghouse	1.00	2.00	5.00	12	12	12	124 1/4	+ 1/4
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Economic Developments in China

Learning to Live With the "Law of Value"

In an interview with the PRC Quarterly last October, State Councilor Zhang Jingfu discussed China's efforts to improve the performance of enterprise management, especially in regard to urban reforms. For 30 years before the reforms, Chinese had been "eating from the same big pot," as reformers say. This meant that in practice no distinction was made between well-run and poorly-run enterprises, nor between employees who worked and those who just served time. Enterprises passed losses up to the administrators and they responded with direct subsidies and price protection. All then hung to the belief that everyone eating the same gruel was better than improving the menu; improvements implied that some would eat better than others.

But the menu was improved. The reformers did it by giving enterprises more discretionary spending, lending, and employee-management powers and responsibilities. First steps were taken to replace direct government-enterprise profit-and-loss-sharing with taxation. This system had the virtue of preventing entrepreneurs with glaring successes or failures from becoming enemies of the state, as they would have been in the past. State planners also acknowledged but deferred action on irrational pricing supports such as those on foodstuffs and exports. Councilor Zhang noted: "We must use the economic levers to realize planned targets. A clear understanding of the relationship between planned economy and the law of value is necessary." Planned economy demands a full use of the law of value."

A significant number of China's 400,000 state-owned enterprises, countless "sideline" industries developed in townships with new-found rural affluence, myriad individual fruit-sellers and hawkers and—most glaringly—freewheeling brokers working with government "bribe" companies in the Special Economic Zones, failed to get the message. Whatever the "law of value" means to state economic planners, to a lot of local entrepreneurs it meant a consumer-product bonanza on the domestic market.

Everyone who could do so bought or took as a work-incentive bonus the consumer durables he'd been dreaming of for years: color televisions, tape recorders, washing machines, refrigerators, calculators, cars and small tractors. In consequence, imports soared 70 percent in the first half of 1985, leading to a trade deficit in foreign-exchange reserves. There was also significant redirection of production resources, with provincial industrial figures showing massive increases in manufacturing levels of consumer durables, as much as 200 percent in some cases.

Imports were made because of better quality, selection, status and the fact that some foreign goods are actually cheaper on the home market than their domestic equivalents. Local factories went after assembly-line equipment that enabled quick subassembly production of consumer products from foreign components—thereby redirecting financial and material resources to foreign suppliers.

There were also enormous scams, the most notorious being the purchase of almost 90,000 motor vehicles, nearly 3 million televisions and over a quarter of a million video recorders by Special Economic Zone authorities on Hainan Island. Using their special borrowing privileges with state banks, they requested and got \$1.5

billion and bought another \$570,000 in American greenbacks on the black market. This money was used to buy goods mostly from Japanese suppliers, which were re-sold on the domestic markets at up to 300-percent mark-ups.

Pent-up demand and price controls that keep imports less expensive than domestic goods have acted as a deterrent to both



The latest in Chinese-made farm machinery displayed at the Canton Fair.

homegrown quality and exportation. Factory managers rushed quotas in order to earn bonuses to buy more of the goods for which their employees were also working. "Wish list" production targets and capital construction projects were pursued at the cost of efficiency and quality.

An unintended result of earlier reforms, which freed factory managers to decline the export of their goods, has been that they have often ceased to export. This is because export prices are still fixed by the state, often at much less than what can be earned on the domestic market. Robert Delfs, in the Far Eastern Economic Review, cited the case of a stocking factory in Jiangsu province near Shanghai which has ceased exporting for the first time in 20 years because the state foreign-trade corporation was offering 20 percent less than the factory's current sale price.

The factory director told Delfs: "This didn't matter before—any losses we incurred were covered by the state. But now we're responsible for our own losses. We're willing to export, but only if the price is right."

In March of this year China's leaders began putting on the brakes by freezing foreign-exchange payments and making it harder for certain transactions to get letters of credit. Consumer products may be held up indefinitely in ships off Hong Kong and Chinese harbors; the clamps are expected to stay down until year's end. The government has also introduced a customs tax on consumer

Continued on page VIII

CAAC Growing Fast

The brisk pace of China's current modernization is simply demonstrated by developments at the Civil Aviation Administration of China (CAAC) over the past 12 months. Following a series of well-publicized multimillion-dollar deals with Boeing, McDonnell Douglas and Airbus, the airline is rapidly building a modern fleet of jets. The quality and quantity of trunkline services between major Chinese cities has improved considerably, but still has a long way to go before catching up with the booming demand for air transport in China. Just as important to the overall success of the current economic reforms is the development of local transport infrastructures around growth-priority cities and the experimental Special Economic Zones.

Just as in the case of jet procurement, the CAAC is looking to Western manufacturers for new short-haul aircraft. In February this year the CAAC signed an order with Short Brothers of the United Kingdom for eight Shorts 360 regional airliners. The order represented the first sale of British aircraft to China since the Tindens in the early 1970s.

The Shorts 360 is a modern 36-seat turboprop airliner designed to match the vigorous demands of short-haul airline services. It offers the lowest purchase and operating costs of any type in its class and has built up an outstanding record of reliability since it first went into service two years ago.

The CAAC 360s will be used to supplement the fleet of aging Antonov and Ilyushin airliners on a short-haul network which will stretch from Beijing in the north to Guangzhou in the south. The two main bases for the aircraft will be the port of Shanghai and the heavy industrial center of Wuhan in Hubei province.

Shorts has been working very closely with CAAC in Shanghai and Wuhan to ensure that 360 services can start smoothly this summer. CAAC pilots and engineers have traveled around the

world to attend courses with Shorts, Aer Lingus and Pratt and Whitney. For many members of these groups, this presented the challenge of a first visit outside the People's Republic of China. For Shorts it was also a new and challenging experience. Only a few of the visitors could speak English, but a combination of carefully translated training manuals and visual aids together with the use of interpreters ensured that the training programs were successfully completed. Upon return to China, Shorts flying and engineering instructors have been present to continue training at the home bases.



Guangzhou's new international airport is an important link in the CAAC's short-haul network.

Hutchison Builds Its Trade Profile

"What will Hutchison look like in 10 years' time in China?" is a question its group managing director, Simon Murray, asks himself and his associates in the China Trade Division when assessing an approach to business opportunities under the new open-door policy. That division, under the leadership of Simon To since 1980, fields over 40 Hutchison staff members in Beijing, Guangzhou, Shanghai and Hong Kong.

With more than 90 percent of its activity and assets in Hong Kong, Hutchison has prospered over the last few years with post-tax earnings reaching (U.S.) \$131 million last year. Murray sees the recent agreements over Hong Kong's return to mainland control after 1997 as the first steps toward guidelines that will lead to what he calls "the next step after trading, investment in China."

Hutchison's diversified brief already includes extensive direct trade with China, in support of the 10 or so major fields of business already undertaken in Hong Kong by the firm. "We already buy a lot from China," notes Murray, "over half a million tons of coal a year, textiles, foodstuffs for our supermarkets, and so on. We also sell a lot, for instance our Watson's brand soft drinks and engineering equipment, and as representatives for products of international companies."

About half of Hutchison's major business lines are already tied in some way to trade with China. "I believe in dealing with China we must stick to businesses we understand and fill established needs," advises Murray. In the long term, he would like Hutchison's China activity to mirror its successes in Hong Kong in the fields of energy (they own 34 percent of Hong-kong Electric, which showed a profit of \$120 million in 1983), communications, retailing, food-products distribution, residential and commercial property development, container terminals, hotels, tourism and quarrying.

"Our own major future interests in China are focusing on container terminals, power stations, coal mining, food processing

and telephone systems," notes Murray. Representing others as principals, Hutchison has been involved in everything from equipment supply to the oil industry to providing Angora breeding rabbits for crossbreeding with Chinese counterparts.

"The problem with most China trade companies is that they are often too eager for early profits. So they are out from Day One running in different directions, often chasing rainbows," observes Murray. "Ours has disciplined itself so that it concentrates on specific areas where we have know-how or where we are sure there is a product need. We tell our China trading division 'Cover your costs but work for the longer term.' That is why they've developed specific target areas. We minimize wasted effort."



Simon Murray greets China State Councilor Ji Peng Fei while Simon To looks on.

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 Room 409, China Hotel, Office Tower, Liu Hua Lu, Guangzhou.
 Room 207 and 208, East Block, Shenzhen International Commercial Building, Shenzhen.
 Room 403-404, Lujiang Hotel, 54 Lujiang Road, Xiamen.

From Violins to Mosquito Coils, China Makes It

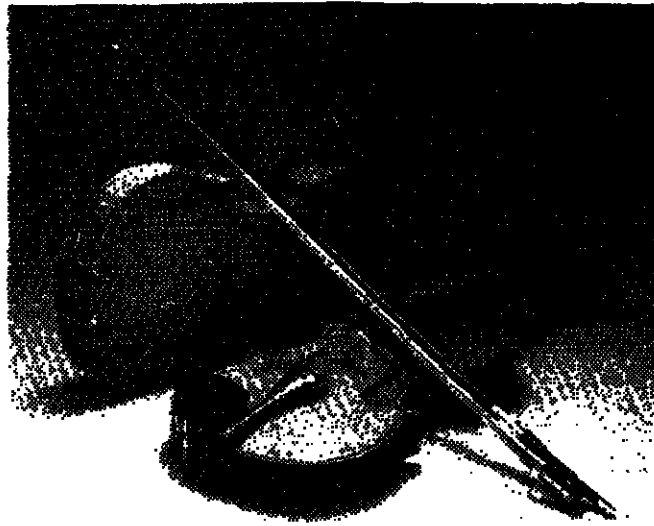
Germany may be the cradle of European classical music, but the man who walked away with the Gold Medal from the first international violin-making competition in Kassel, West Germany was no Stradivari—his name was Dai Hongxiang, production master of the Beijing Violin Factory.

The violin and its relatives, the viola and cello, have remained virtually unchanged since the 16th century. They are in fact among the prides of Western craftsmanship in wood. The varnish, subtle



variations in bridge position and woods used in construction are some of the variables used to produce the all-important end result of a finely tuned violin: tone quality.

Dai was judged the finest violin-maker among production masters from 30 countries who had entered some 400 violins in the



Award-winning musical instruments are proof of top-level craftsmanship.

Kassel competition. Hsing Hai brand violins are the pride of the Beijing factory, and Dai's entry was made from "fish scale" white pine and huayan woods from trees felled on Xingnanling mountain. The woods were dried for 20 years before being shaped into an instrument.

Violins are valued as works of art in their own right, in addition to the musical value attached to their clear, penetrating tones. The Hsing Hai brand has, since its spectacular showing in Kassel in October 1983, joined the ranks of world-standard musical instruments. As if to confirm the line's quality, additional awards for outstanding craftsmanship were presented to another violin-maker, Dai Peng, and Wang Zhonggui, maker of a cello, both from the same Beijing Violin Factory.

Toyland

There's a different kind of playing going on in Shanghai, where since 1980 the Shanghai Toys Import/Export Corporation has been manufacturing and trading in educational playthings marketed to about 120 countries worldwide. Close links are maintained between the marketing and manufacturing arms in order to assure that the company can remain competitive in world markets in terms of both price and quality.

Shanghai Toys works in a wide business scope that includes the making of toys in metals and plastics and controlled by voice, light, magnets, electricity, mechanics or manual winding. Their range includes hard-plastic products, inflatable plastic, wooden puzzles and blocks, musical toys, dolls and doll clothes, glass marbles and even toys of paper and straw.

Vehicles are also made for children, including bicycles, pushcarts, racing cars, sleds and toddler walkers. As would be expected from a full-line manufacturer, Shanghai Toys also produces toy parts, from small motors to interior gears for mechanical and windup toys.



Tools of the Trade

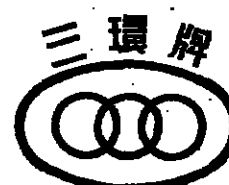
Shanghai has long been building the economy of China as a major industrial city. Today it is reported to account for one-ninth of the country's entire industrial output, contributing a sixth of its tax revenues. Shanghai Tools have been one of the standard-bearers of the city's light industry for about 30 years now, supplying the 12 million residents as well as the handymen of countries around the world.

There remain few places in the world without hand tools stamped with the "Shanghai, China" inscription that identifies the enormous variety of tools produced under the wing of the China Machinery Import/Export Corporation. Modest pricing and a reliable and consistent quality-grading have made them a handyman's standard.

The Cutting Edge

The China National Light Industrial Products Import/Export Corporation, Shanghai branch, is the largest of China's exporters of light industrial products and will participate in October's FEMINA exhibition of consumer products at the Abov Exhibition Center in Rotterdam.

The corporation has recently developed a complete range of rust-free, slimy-styled pocket knives, along with a range of other



TRI-CIRCLE

blades that include lock knives, hunting knives, superautomatic flick knives, and multi-bladed knives. Blades are stainless steel and, in addition to their own manufacturers, the Shanghai smiths will forge knives in designs and specifications to order using customer brand names or by processing customer-supplied materials.

Locks and Keys

Shandong's branch of the China National Light Industrial Products Import/Export Corporation has been manufacturing its Tri-Circle brand padlocks at the Yanai Lock Works for over 50 years. Besides ongoing improvements in their standard padlocks, which feature pick-resistant plates and various tumbler, pin and bar devices to keep out thieves with deft fingers, the locks have hardened-steel shackles that are said to be impervious to saws and a double-bolt locking device that can withstand pulling forces of 400 to 1,000 kilograms (880 to 2,200 pounds).

Having precluded unwanted entry by pickers, saws and strongmen, Yanai's engineers set about second-guessing duplicate keymakers. Their keys use combinations of multislots and notches that are five times as complicated as the average padlock, though simpler keys can be made to order.



Tri-Circle makes ongoing improvements in their padlocks.

Yantai has also pioneered a unique double-key padlock that uses a single cylinder. Most early double-key locks were cumbersome affairs with double cylinders. These single-cylinder, double-key padlocks are designed for maximum security uses, requiring two different keys to open them.

The Flip-flop

The plastic sandals of the Fujian Light Industry Corporation have managed to cover a lot of ground. Over 60 countries now import their White Dove brand products worldwide, for uses as varied as non-slip poolside and bathroom wear in homes and hotels to inexpensive children's outdoor summer play wear to adult resort wear.

Fujian's White Dove products have long been popular for their quality of materials, long wear and wide variety of colors and styles. As plastic sandals and slippers continue to find wider acceptance and uses, demand for new varieties grows. For instance, in recent years White Dove products have come to include combination foam-plastic and hard-plastic slippers and plastic-filled foam sandals. They've also developed combination rubber and artificial-leather slippers.

The corporation continues to keep up with demand by applying new technologies, materials and skills to the manufacture of the world's favorite summertime or wet-season footwear: plastic sandals and slippers. White Dove slippers and sandals are also well-packaged, with each pair packed in plastic before being boxed for shipment.

Insect Repellents

Nigeria and West Africa are among the major markets for the Cock brand mosquito coils marketed by the Fujian branch of the China National Native Produce and Animal By-product Import/Export Corporation. Over the past 20 years the insect repellent coils have found steady use in over 50 countries and regions of the world.

The coils are safe for indoor and outdoor use and are made from a mixture of wood powder, chrysanthemum and other floral materials. The Cock brand coils are tested for even smoldering and give off a pleasant aroma that is harmless to humans.



For more than 20 years, "Cock" brand mosquito coils have been popular in more than 50 countries and regions, as an efficient but fragrant way to disperse mosquitoes.

The reasons are simple. "Cock" brand mosquito coils are made from natural materials including chrysanthemum and other floral sources. They burn evenly and they repel mosquitoes effectively.

To find out more about famous "Cock" brand mosquito coils contact:

China National Native Produce & Animal By-products I/E Corp.
Fujian Branch
13th Fl. Fujian Foreign Trade Centre, Wu Si Road, Fuzhou, China.
Cable: PROFUKIEN Tlx: 92108 NATAN CN

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Wusi Road, Fuzhou, China
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Fuzhou Foreign Trade Centre, Wusi Road Fuzhou, Fujian China.
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Textiles Soar and Carpets Fly in Export Market

Textiles comprise 35 percent of China's worldwide exports and are considered the most important area of its international trade. For instance, in the 10 years of its trade with the United States, its exports of textiles and garments to that country reached \$1.29 billion by 1984, making it the largest single customer for Chinese textiles.

Swan brand woolen goods from the Beijing Textile Corporation have become a standby of the world's largest textile producer, and will be featured among other products from Beijing at a Washington, D.C. exhibition and trade fair where a formal sister-city relationship between Beijing and Washington is expected to be announced. According to United States Embassy sources in Beijing and Hong Kong, the exhibition will open on Sept. 26.

China and the United States are in a dispute over a threatened imposition of more restrictive textile quotas. Under a proposed Textile and Apparel Trade Enforcement Act of 1985, China's imports to the United States would be cut by 55 percent to 58 percent. Most Asian nations who export textiles and garments oppose the bill, including the six members of the Association of Southeast Asian Nations and Hong Kong.

Beijing has been building two massive synthetic fiber production plants that will have the capability to produce 1,980 tons of material daily. That is enough to cover the world in synthetic cloth, but China's planners look to synthetics to provide domestic clothing needs so as to export more natural-fiber products. In 1983, China's per-capita cloth consumption for its billion people was about 30 feet (10 meters) per year, already enough to meet basic needs. Design sophistication and better export marketing techniques are its industry's most pressing needs.

Milky Way

Shanghai's branch of the China National Textiles Import/Export Corporation has developed a world market for its Milky

Way Trueran fabrics based on their proven ability to conform products to overseas requirements for color and whiteness, according to company literature. Fabrics are made from polyester and fine cotton in various blend percentages and a range of different designs. Fabric varieties include: finispun, poplin, khaki, gauze, jacquards and yarn of hemp and flax.

Similarly, the colorfast range includes carefully dyed fabrics in a full range of hues and shades. Trueran white fabrics are said to have a pure whiteness, with fine luster and clear-cut texture. The technologies used in Milky Way Trueran fabrics include water-



proof processing and can incorporate features like drip-drying, non-ironing, crease-resistance, shrinkproofing, special draping and smoothness.

Bedding Down

There's a slang business expression that refers to partners in a successful deal as being "in bed together." The term applies aptly to the sheetmakers of Jiangsu. Importers from over 20 countries buy their wares, including the United States, Canada, Saudi Arabia and Malaysia.

The farmers of Jiangsu have mechanized production and their fields of cotton and silk have underpinned the growth of textile and garment industries here. This has been an area of textile towns since the 16th century. Textiles now account for nearly half

of the provincial exports. Suzhou is a silk-weaver's city; Changzhou, Nanjing and Wuxi feature cotton-spinning.

Jiangsu Forecast, Spring and Myna sheets are traditional Chinese exports that earned a revenue of over \$4 million in 1984, and company forecasters expect to do better in 1985. Jiangsu is well-known for quality materials and workmanship. Drill, herringbone and wave patterns are used to create sheeting with a smooth, soft texture.

There are several hundred Chinese and Western-style sheet designs in stock, featuring subjects like flowers, bamboo, animals, optical effects, checks and various abstract patterns. They come in a full color-range from pastels to bright combinations of primary hues.

Qingdao's Flying Carpets

Shandong's port city of Qingdao has its own version of "flying carpets," now being exported to Europe, the United States, Japan, Australia, Hong Kong, Macao and other Southeast Asian nations by the Shandong branch of the China National Native Produce & Animal By-products Import/Export Corporation. Sea Gull brand carpets are an adaptation of traditional handicrafts to a contemporary market.

Fibers are brought down from the northern provinces, chrome-dyed into colorfast hues and hand-knotted by dexterous workers into patterns based on traditional designs in porcelain, bronze and lacquer ware. These are redefined into standard Sea Gull carpet styles: Beijing, Ethnic, Self-tone Embossed, Scenic and so on.

Carpet production has not relied only on tradition, however. Here the Qingdao factories have carefully kept pace with quality requirements of overseas buyers. For instance, knitting line qualities have been upgraded and expanded from 90 to options between 120 and 300 lines. The carpets also wear well, holding their 5/8-inch (1.6-centimeter) thickness even under heavy wear.

Sea Gull carpets have kept certain traditions, like the classic 8-shaped knot for fastening the warp line, which protects against nap shedding. The carpets are also still washed with chemical detergents processed with the world-famous waters of Qingdao's Laoshan mineral springs.

Woolen Landscapes

Carpets and tapestries are also the main products of the Jiangsu branch of the China National Produce and Animal By-products Import/Export Corporation, based in Nanjing. Carpets in wool, silk and velveteen are their most popular items, and the Jiangsu Cloud and Mountain brand woolen carpets are famous in export markets worldwide. A chemical washing process is used to render carpet colors more attractively and keep the carpets soft and resilient.

The Cloud and Mountain brand weavers take special pride in a landscape series based on the scenery of Jiangsu county, a style that has been highly praised by foreign buyers at the biannual Guangzhou trade fairs, according to company spokesmen. The woolen carpets are generally available in 70- and 90-line series, but can be made to buyers' specifications in form, design, size and pile thickness.



Sophistication in design is the coming thing for the textiles industry.



A Sunday outing, Chinese-style.



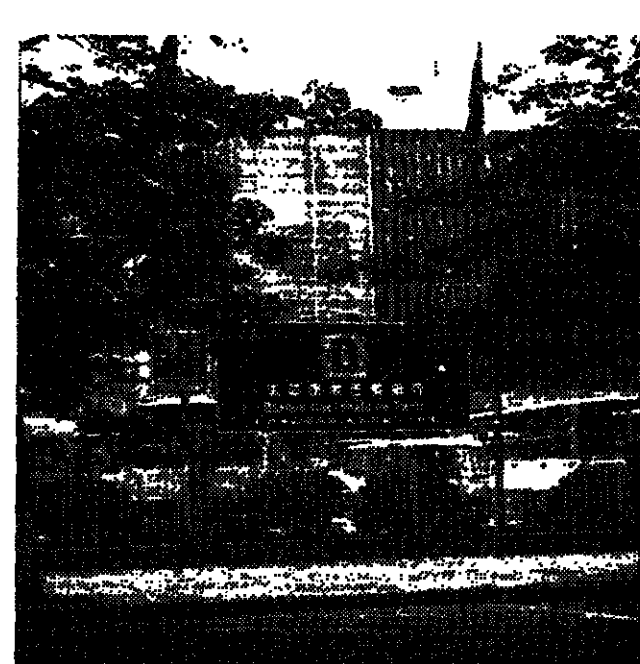
School uniforms are no longer obligatory.



This roadside library rents books for 2 cents apiece.



An addition to the Chinese profile: sunglasses.



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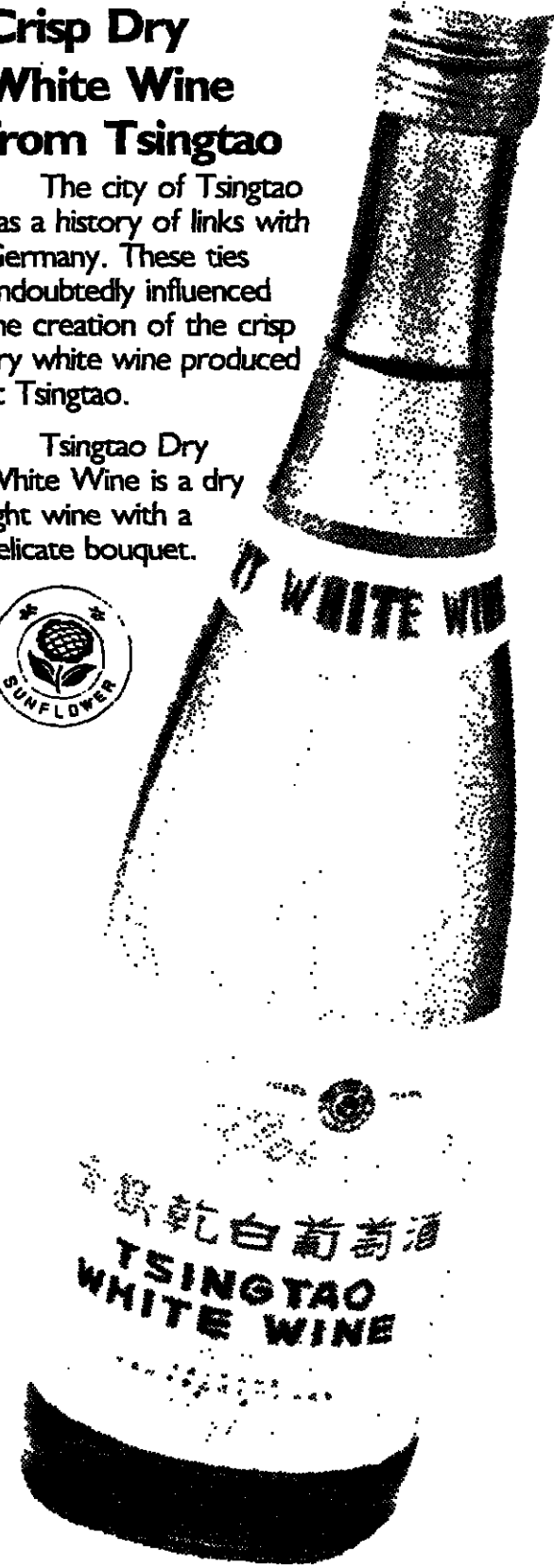
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Crisp Dry White Wine from Tsingtao

The city of Tsingtao has a history of links with Germany. These ties undoubtedly influenced the creation of the crisp dry white wine produced at Tsingtao.

Tsingtao Dry White Wine is a dry light wine with a delicate bouquet.



For more information about this interesting wine, contact:
China National Cereals, Oils & Foodstuffs Import & Export Corporation,
Shandong Foodstuffs Branch,
70, Zhongshan Road, Qingdao, China.
Telex: 32122 FODOD CN
Cable: "FOODSTUFFS" QINGDAO

Metalworks and Chemical Products Travel the Globe

Metals and chemical products are important resources in China's international trade. Production of specialty steel and high-quality alloys in Shanghai now represents a high proportion of China's total steel output, and that capacity will grow with the expected opening this month of the Baoshan Iron & Steel Works. The new plant should add four million tons to hot-rolling and three million to cold-rolling capacity in Shanghai by the time it is fully operational, which is expected by about 1988. The new mill has been under construction for six years with Japanese assistance and at an estimated cost of 12 billion yen.



Anchor brand seamless steel gas cylinders are among the products available for export from Shanghai's mills. They are made

of quality manganese steel in a solid-drawn process. Available for export are seamless steel gas cylinders with valves and caps for industrial gases: argon, hydrogen, nitrogen, helium, neon, carbon dioxide, liquefied ammonia, and oxygen for medical use. They also export liquefied petroleum gas (LPG) cylinders and chlorine cylinders.

In 1984, the reported capacity of Shanghai's iron and steel industry was 5.25 million tons of steel and 4.5 million tons of steel products. Their facilities include some 50 plants, but many produce no steel as they are not integrated mills. Plant No. 5 is the specialty steel producer and is among the largest three — the other two being Plants No. 1 and 3. This last plans to acquire new top-blown oxygen converters and to improve a steel-plate roller, according to a report in The China Business Review of May-June 1985. They also report that this same mill has agreed to purchase and renovate a facility from the United States, with a capacity of 500,000 tons per year.

Beijing Iron

Beijing's branch of the China National Metals & Minerals Import/Export Corporation has expanded its trade to include over 30 countries since its founding in 1978. Its BC brand castings are made of high-quality pig iron and based upon foreign users' samples and specifications, designed by staff engineers.



The Beijing branch of CNMIM enjoys an annual turnover of \$30 million, and has built up ongoing relationships with about 120 overseas traders and manufacturers. The company produces a variety of products, including soil-pipe fittings, welded LPG cylinders, aluminum mill sheets in coils, nails and wires, various cans, hinges, wires and fasteners, construction tiles in marble, slate,

and granite, architectural sculpture and various products using bauxite and tungsten.

China Blue

On the chemical side, Shuangjing brand indigo pure powder pigment has been keeping the textiles of blue-jean and other clothes manufacturers blue since 1958, when the Beijing branch of the China National Chemicals Import/Export Corporation was founded. The powder is also used in printer's inks, for the manufacture of indigo white and indigo derivatives and related chemical agents. It has been favorably received by end-users in the United States, Brazil, Japan, Hong Kong and countries in Southeast Asia.

Under the management of Wang Guobin, the Beijing company undertakes unified management of the import and export of raw materials, plastics, resins, dyestuffs, pigments, paints, printing inks, agro-chemicals, rubber products and reagent chemicals. The company traded with the Soviet Union and Eastern European countries from its founding in 1958. In 1973 its scope expanded to global trade and the promotion of joint ventures and compensation-trade arrangements in addition to processing imports and exports.

Besides its management and finance departments, the company is divided into seven import/export sections, based upon various product clusters such as organic resins, inorganic salts or dyestuffs and pigment products.

Chemical Salts

In the waters of the Yellow Sea surrounding the Shandong Peninsula in northern China, a rich algae abounds that is an important source of chemical salts.

For the past 20 years this algae has been collected and processed to produce a high grade of one particular salt, sodium alginate, an effective ingredient in many chemical products, including antacid preparations.

The sodium alginate produced at Shandong combines fine fluidity and stable viscosity, qualities that have enabled the producers to build considerable export sales under the brand names Seawater, Chugai-ter, AAA, ESA and ALACID.



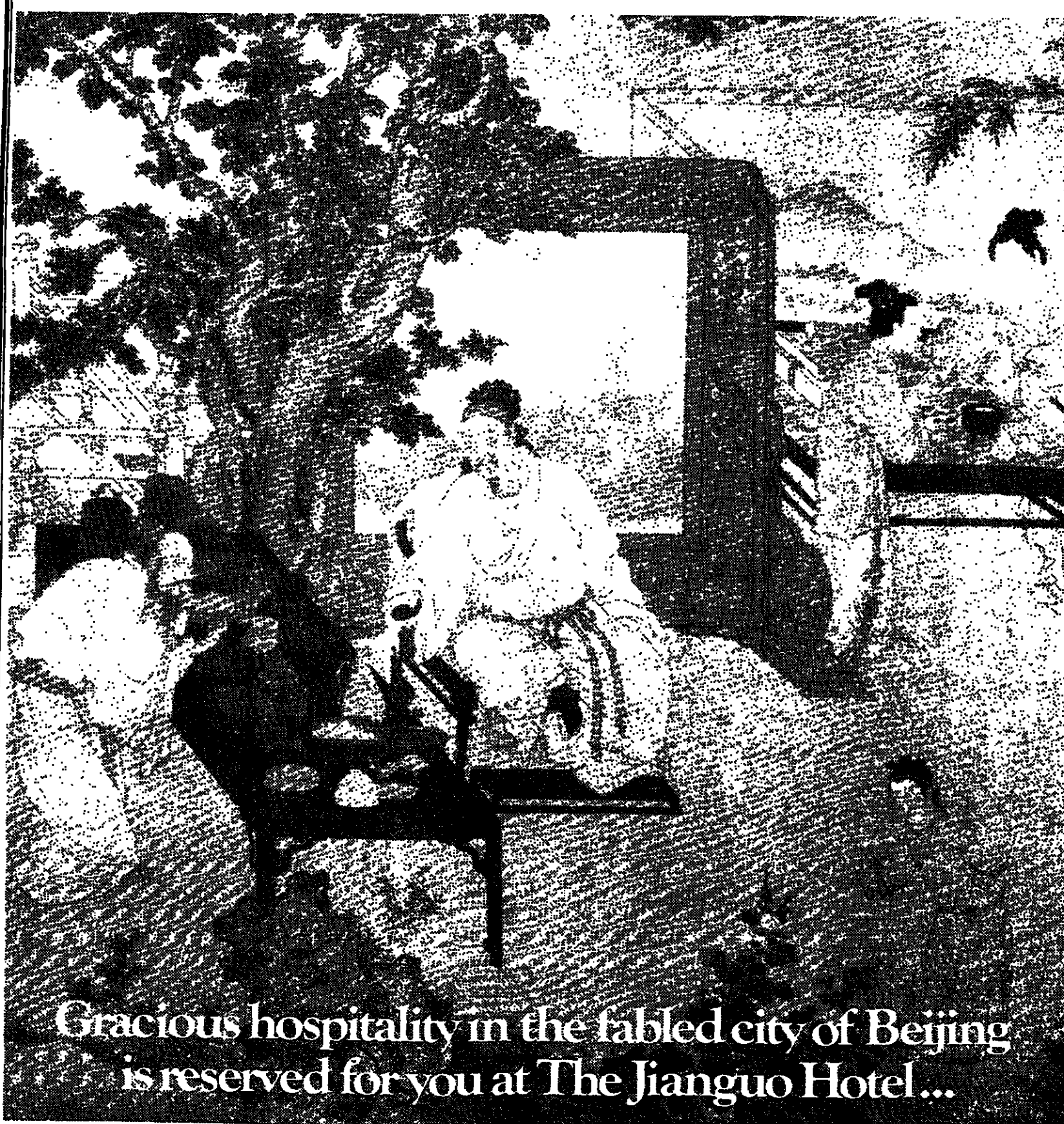
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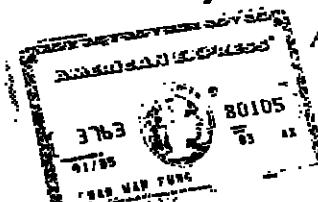
For samples and information, please contact:

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82 Zhongshan Road, Qingdao, China
Cable: "SINOCHENAO" QINGDAO
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China's 98 Open Cities

All foreign visitors to China require visas to enter the country. There are now 257 places now formally 'open' to foreigners. However, of the 98 on this map require special travel permits. (Those in italic are permit-required areas where the American Express Card is accepted.)



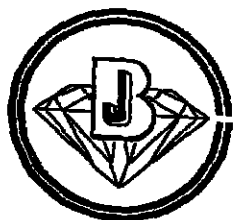
Province	Open Cities
Beijing	Beijing
Tianjin	Tianjin
Shanghai	Shanghai
Guangzhou	Guangzhou
Shenzhen	Shenzhen
Chengdu	Chengdu
Yunnan	Kunming
Guizhou	Guiyang
Hubei	Wuhan
Hunan	Changsha
Henan	Xinxiang
Shandong	Jinan
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سكيا لاي

Arts and Crafts Improve on Tradition

China's outstanding arts and crafts have an impressive history, and the making of fine objects is still an intrinsic part of the Chinese sensibility—and economy. Here traditions continue.

Beijing has long been the home of workshops creating some of China's finest craft products, and remains so, with thousands of craftsmen and their apprentices producing 40 kinds of craft products for export under the guidance of the China National Arts & Crafts Import/Export Corporation. Their Beijing Jewelry Branch special-



izes in articles of jewelry and decoration using precious stones, traditional materials and motifs—filigree, inlay, enamelware and carvings of precious metals, stones, ivory, lacquer and wood.

Chinese craftsmen have used gold and silver for jewelry for centuries, and they tend to treat their major works as sculptural objects rather than items for personal adornment. For instance, Beijing's two foremost gold-filigree artists in the early 1980s, Bi Shang-bin and Zhai De-shou, both created their most famous works in the round. Bi, noted for his dragons and phoenixes, earned his formal designation as a state artist in 1957. His "Forbidden City Pavilion" was exhibited in Hong Kong and Brussels—a work of ornamental jewelry that is more complex than most architectural projects. Its walls were constructed with over 2,000 pieces of jade; its eaves were inlaid with 850 pieces of coral. Zhai De-shou also earned recognition as a formal state artist in 1957. He is famous for his gold filigree sculptures of heroic figures, like "Warrior," "Fang Baihua Reviewing Troops" and "Noon-man."

History plays a large part in Chinese jewelry designs, and objects found in archaeological sites in the Huai River valley of Anhui Province have become standard models for modern designs. Granulation techniques arrived later, in the Han dynasty, from contacts with Mediterranean cultures via India. The Huay style is marked by the shapes and motifs of bronze works.

Beijing cloisonné, together with Chingtechen porcelain and Fuzhou bodiless lacquer, are considered the three treasures of

contemporary Chinese arts and crafts. In fact, the best of foreign-inspired crafts have traditionally emanated from Beijing, first from imperial workshops and today under the influence of the Beijing Handicrafts Research Institute. There are about 2,000 artisans in Beijing's Jade Studios alone, continuing a tradition of excellence.

Enamelware—cloisonné, champlevé and painted enamel—are all imported crafts, but modern artisans of Beijing have expanded their repertoire. For instance, they have created new wire-anchoring techniques for cloisonné and also increased the color palette from the original dozen or so when the form was introduced from Persia or Arabia in the 13th or 14th century by emperors of the Yuan (Mongol) dynasty. Today there are over 60 colors available.

Painted enamels were popular with the Kangxi emperor of the early Qing dynasty. In the early 18th century, Jesuit missionaries from France introduced painted enamel techniques locally called *yang tai* (foreign porcelain). It was about this time that the influence of Western traders in Guangzhou (Canton) began, and a high form of the art developed in Beijing, associated with the Imperial workshops which had been in existence at least since 1680. There was also a less elaborate form meant for export which came to be called "Canton enamel."

Another Western craft for which Beijing is justly famous is petit point, usually exported with designs reminiscent of 18th-century Europe, such as elaborate floral and landscape motifs. Today an ordinary handbag plate takes an experienced Beijing seamstress about 30 working days. Were such a seamstress earning a U.S.-based rate of pay of U.S. \$5 an hour, such a purse would cost about U.S. \$1,200 in man-hours alone. This helps explain why petit-point bags and decorated silk boxes have not ceased to be exported from Tongshan county since the Ming dynasty. The first factory to produce petit point in China is reputed to still be operating there, about 25 kilometers (15 miles) from Beijing.

Guangdong Ceramics

At least since the founding of Macao, in the 17th century, Guangdong's craftsmen have been molding, painting and firing porcelain and ceramics to meet the export demands of Western traders. The art of ceramic manufacture itself has been practiced in the province since the Sung dynasty.

Modern equipment has transformed handicraft cottage indus-

tries into modern automated assembly lines that can meet buyers' specifications for 20- or 45-piece tea and dinner sets or the requirements of builders for ceramic construction materials such as glazed tiles. Figurines and elegant tableware are still produced for gift items, but today they range from individual works of craft to machine-made, low-cost items.

One thing that has not changed in Guangdong craftsmen's



venerable trading relations with the West is that they can still make to order whatever a customer can describe or provide a model of. Today's difference is in the scale, speed of reproduction and quality of packaging to meet customer requirements.

Baseball Caps

Guangdong province's craft products have so much become the expression of Chinese traditional arts to the West that it is easy to forget they also produce contemporary adaptations of traditional materials. Take hats: most people would think of the classic, wide-brimmed straw ones worn by peasant farmers, but the Guangdong branch of the China National Arts & Crafts Export/Import Corporation also does a thriving trade in baseball caps, cotton crush caps, caps for children and about every other kind of hat that can be fashioned from cotton goods.

Besides carrying on fine-art traditions in ceramics, Guangdong ceramicists mold modern dinnerware and tea sets. Brass

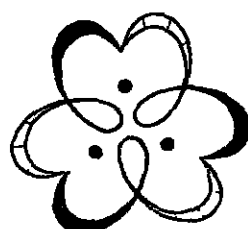
reproductions of China's glorious bronze sculptures and bowls are tied to Chinese tradition, but there is also a booming business in custom brass bedsteads in classical Western styles. Carvings in ivory, jade, ox horn, gilded wood and even coconut shell provide contemporary counterpoint to traditional designs and uses.

Fine machine-embroideries are put to use on tablecloths and serving linens, while bamboo is bent to the modern shapes of porch furniture and trendy upholstered combinations. Chinese fans and umbrellas have been formed into lamp shades; ceramic shapes and famous styles of celadon and blue-on-white into lamp bases; and hand beadwork and petit-point drawnwork into evening bags.

Embroidery and Crochet

Shanghai's handicraft and consumer-product manufacturers will display their wares in a Shanghai pavilion at the FEMINA Exhibition in Rotterdam this October. Included among exhibitors at this annual event, held in the Ahoy Exhibition Center, will be products from the Shanghai branch of the China National Embroidery and Drawn Work Associated Export Corporation.

Products of the branch are produced in Shanghai or the



adjacent Jiangsu and Zhejiang provinces, which straddle the Yangtze river, north and south of the port city of Shanghai respectively. These have traditionally been the wealthiest areas of China and its richest sources of skilled craftspeople, and remain so.

Hand embroideries include cutwork, flat embroidered products, cross-stitch work and woolen needlepoint tapestries. Their hand-plaited products include Venice lace, crocheted and knotted tablecloths, crocheted blouses and crocheted caps, hats and handbags. Machine-made woven products, prints and other items manufactured by automated processes are also available.

From other areas of China the branch exports embroidery and drawnwork of Anhui province, also astride the river to the west, and from the Guangxi Zhuang autonomous region, with its tribal crafts. There are also baiks from Guizhou province which borders Vietnam.



A Pipa musician from Hangzhou.

A German Banking Partner

Bayrische Vereinsbank AG is, in terms of its consolidated assets, the fourth-largest private-sector credit institution in the Federal Republic of Germany. Based in southern Germany, it does business throughout the country and has a prominent position in the international banking world. In the past two decades it has developed from a classical foreign trade bank into an institution with multinational activities.

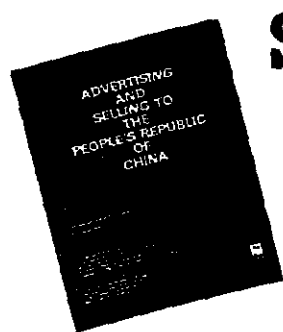
The representative office in Hong Kong along with the branch and representative office in Tokyo have already provided assistance to numerous German firms in making contact with business partners in Asia. Bayrische Vereinsbank has encouraged cooperation with manufacturers, commercial firms, state-owned enterprises and foreign trade companies in the People's Republic of China. The Bank of China has been one of its correspondent banks in Asia since 1958.

Since diplomatic ties were established between Bonn and Beijing in 1972, the volume of goods exchanged between the two countries has increased sixfold. This is probably one of the reasons why China has selected Hamburg as its for-

sign trade center for Western Europe. Bayrische Vereinsbank's Hamburg branch is a reliable partner in this major seaport.

Trade between China and the Federal Republic of Germany should continue to develop briskly in the coming years. This trend is founded not only on the various government agreements for technical and economic cooperation, but also on around 400 contracts for cooperation between German firms and their Chinese partners,

covering everything from licensing to joint ventures. Areas with an especially high growth potential for cooperation are high technology, aviation, aerospace, peaceful use of atomic energy and development of natural resources. Bayrische Vereinsbank works closely with the important German aviation and space companies and, with its banking services, backs up a large number of small and medium-sized firms in the electronics industry in Bavaria.



Selling to China?

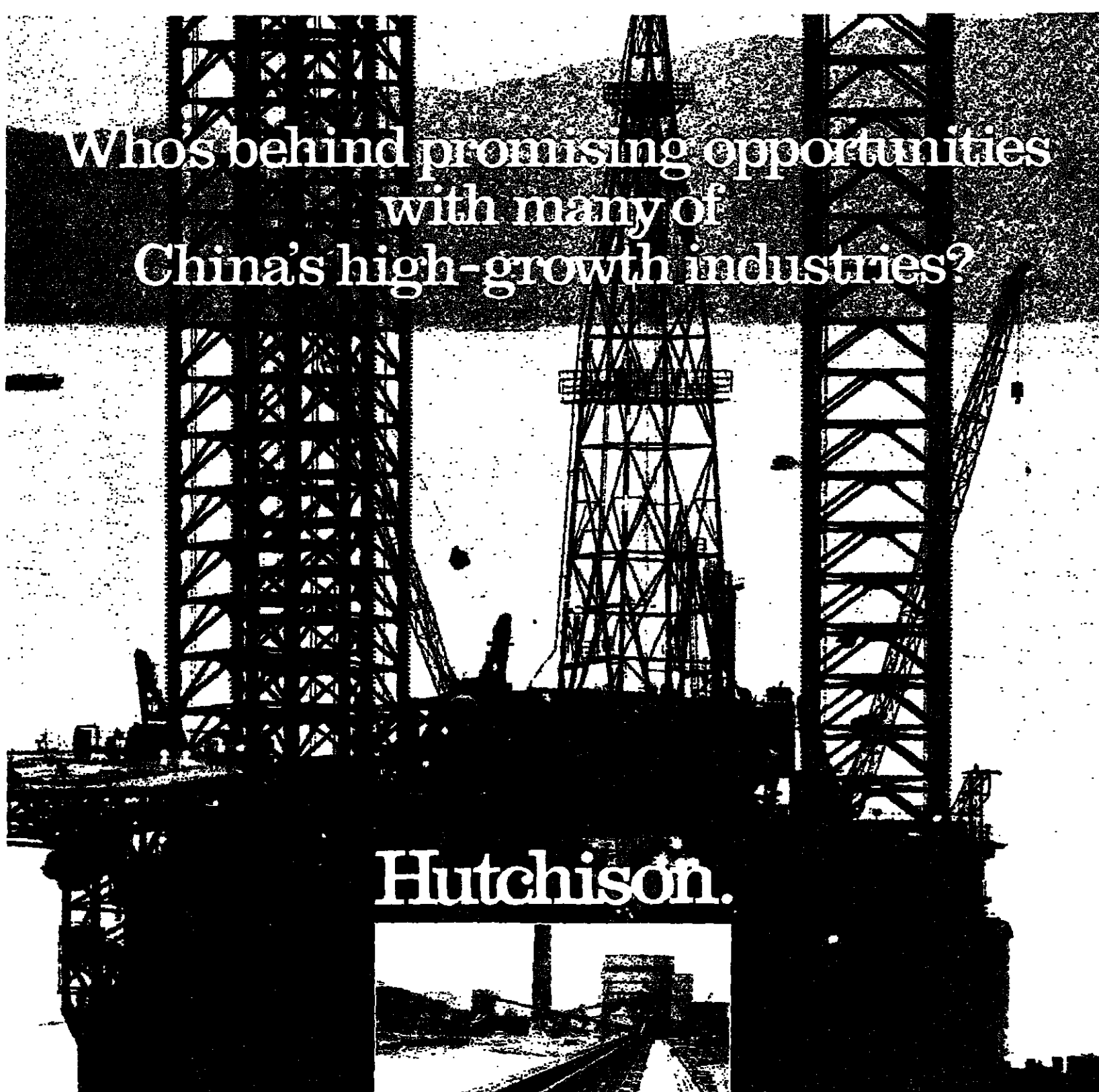
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For more than ten years, we have assisted manufacturers, banks, publishers, law firms, advertising and PR agencies, and government trade promotion organizations in their business with China. Our services include professional translation and Chinese word processing, publications production, direct mail marketing, exhibitions and seminars, project management and sales representation. For a free copy of "Advertising and Selling to the People's Republic of China," write or telex:

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Hutchison knows that to be strong in China trade, you must be patient yet persevering. You must know the right people and show that you welcome two-way trade.

No one understands this better than we do. We also know we cannot handle it all, that's why we select only certain high-growth areas in which to operate.

Our China Trade division now has offices in Beijing, Guangzhou and Shanghai. We are helping to strengthen China's coal industry with both equipment and technology. We provide logistical support for their offshore oil programme. Other areas of our growing trade include aircraft, transport and food processing. And we buy more than we sell —



Two-way trade with China is humming and we're currently buying millions of dollars worth of coal for our power plant.

we spend millions of dollars on food for our supermarkets and coal for our power plant.

Today, no one else has better contacts — where they matter — than Hutchison.

If you want to trade with China, call us first. We'll tell you whether Hutchison can help promote your line of business. You won't find a better partner.

For our Annual Report, which will give you a clear insight into our strength, diversity and human resources, write to: A.C. van der Linden, Company Secretary, Hutchison Whampoa Limited, 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong. It could be the start of a profitable partnership.



Hutchison. We mean business in Hong Kong.

While "tea" and "China" are practically synonymous, tea is not the only foodstuff the country exports around the world. Chinese wine and sweets also enjoy a market, as well as a nonnative item—corn.

"Nationtea" is the cable address of the Shanghai Tea Branch of the China National Native Produce & Animal By-products Import/Export Corporation, with good reason. The China green tea it exports is the descendant of the first tea known to China and everywhere else in the world. When Lu Yu wrote his book "The Tea Classic" ("Ch'a Ching") in the eighth century, tea had already been known by the exalted title "Jade Queen" for at least 1,500 years. Today there is a world of tea drinkers for whom Shanghai is



the port of exit for their favorite brew. It is the traditional distribution point for China green tea.

Using modern plantation methods and research into blending and packaging, China has regained its eminence as the mother of green tea. The main varieties traded by the Shanghai Tea Import/Export Corporation are special chunmee, chunmee, hyson and young hyson, all packed in plywood or wooden cases for long-distance sea transportation.

There are roughly 40 nations of the world that can be considered major net consumers, each with a total apparent

consumption of over two million pounds a year, led on a per-capita basis by Britain and the Soviet Union. Following sharp rises in the price of coffee, the United States has become the world's number-two tea buyer in total consumption. According to figures released this year by the State Statistical Bureau, China's tea output between 1978 and 1984 rose from 268,000 tons to 414,000 tons.

Though the white and yellow jasmine flowers are most famous for their scents in cosmetics, they also have long been used to make a fine tea. Markets in Europe and the United States have increasingly come to appreciate brews made from products of the Fujian Tea Branch of the China National Native Produce & Animal By-product Import/Export Corporation.

Most recent among the accolades given to Fujian's jasmine tea was the presentation of a Golden Laurel merit award from France's International Gastronomic and Tourism Committee. Aroma, taste, color and body were the four fundamental qualities sought in the connoisseurs' tea-tasting evaluations. Fujian jasmine tea scored high marks in all four.

Jasmine tea is made by a process that allows for the absorption of aroma from the flowers of the jasmine bush into high-grade green tea. The process requires close controls of temperature, humidity and ventilation. Fujian has become a major center for China's jasmine tea production and uses the most advanced equipment and technology available for processing and hygienic packaging.

China was also one of the world's early producers of grape wines, with mention made of wine's allure as early as the eighth century. It is Shandong province's special pride to have been the first place in China to make wine with modern technology. Its Chang Yu Winery, for instance, was established in Yantai almost a hundred years ago, and has been winning prizes ever since. In 1915 it was awarded a gold medal at the Panama Exposition, and it was even highly praised by the father of modern China, Sun Yat-sen, and given a commendation.

Most recently the winery's products were included in a list of famous wines by the Chinese government, and their Special Fine

Brandy won another gold medal. Chang Yu also markets a Chinese brandy, vermouth and Chefoo red and white wines. Qingdao Grape Wine Winery is another famous winner in Shandong—a province so rich in foodstuffs it's called the "land of fish and fruit" within China. There is also a modern facility, though the company has a 70-year history of wine making. It is noted for a Qingdao white, dry white and red and produces champagne as well as a range of liquors like whiskey and vodka.

Shandong's wines are marketed under the Sunflower brand by the Shandong branch of the China National Cereals, Oils & Foodstuffs Import/Export Corporation, which has trading ties with over 1,500 companies in 72 countries. The Shandong Provincial Foreign Trade Corporation, which markets all goods from the province, has ties with about 20,000 businessmen in 140 countries, exporting some 700 specific items.

Over 50 varieties of biscuits and sweets are exported by the Fujian branch of the China National Cereals, Oils & Foodstuffs Import/Export Corporation in Fuzhou. Marketed under the Double Lantern brand, they are among the province's most popular products and offer an instance of China's traditional culinary art.

By Chinese standards, corn is a newcomer to the popular diet. While the eating of rice in China is measured in millennia, corn is an indirect gift of the American Indians which reached China by way of Arab traders in the 16th century. Four hundred years have been time enough, however, for corn products to become part of China's daily diet.

As is the case with many Chinese foods, corn is thought to have medicinal properties and credited by its growers with curative powers over high blood pressure, vascular sclerosis, and cancer. The Shandong branch of the China National Cereals & Foodstuffs Import/Export Corporation has become an exporter of corn and corn oil. Corn oil is widely used in the United States for cooking because of its low cholesterol content and high nutrient value.



The Beijing Advertising Corporation is one of modern China's earliest experiments in "selling the sizzle, not the steak." Founded in November 1979, the agency has already developed an extensive network of relations with overseas agencies and media and trade representatives in Japan, Western Europe, Hong Kong, Macao and the United States.

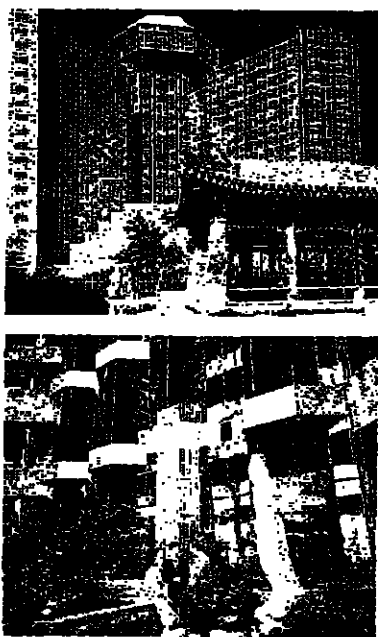
China is reported to be in the midst of an unprecedented advertising boom, with the China Daily reporting a 25-percent increase in advertising expenditures by companies last May.

Announcing its success as an advertising medium, spokesmen claimed: "Two years ago, only products that were new or hard to sell got advertised. Now even products in constant short supply are advertised, such as the Flying Pigeon bike made in Tianjin or the Snow Flake refrigerator made in Beijing."

At a recent conference of the International Association of Business Communicators (IABC) in Hong Kong, Tom Gorman of China Consultants International noted the existence of a number of advertising agencies in China and the opening of the first China office of an international public relations firm, Hill and Knowlton, in January of this year. Market research, press conferences, news releases, weekly press briefings at the Foreign Ministry, mailing lists, trade shows, and technical sales seminars abound. These contrast markedly with Chinese policy even as late as 1975, when the weather report and telephone-book listings were treated as confidential.

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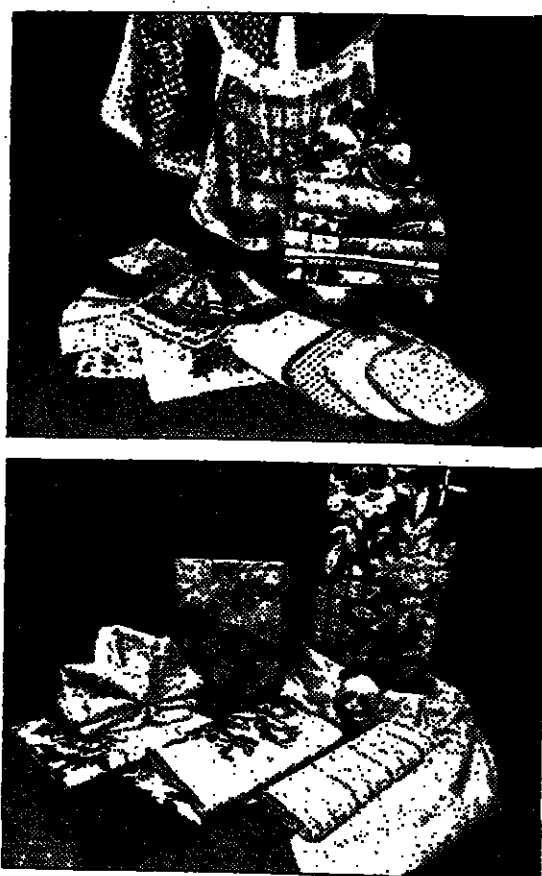
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Standard Chartered's China Connection

The Standard Chartered Bank Group's connections with China date back to 1858, when the Chartered Bank of India, Australia and China, as it was then known, set up its branch in Shanghai just five years after the bank itself was established in London. This branch has remained open ever since and through its long-established contacts in China the bank has accumulated considerable experience in assisting those who seek to do business there.

Throughout its existence in China, the Standard Chartered Bank has always been known to the Chinese as "Makalee" Bank. Even today the doors of the Shanghai branch still have "Makalee" printed in Chinese characters side by side with the English name. The origins of the Chinese name are obscure. It has been suggested that "Makalee" is derived from "Mackellar", the name of the first manager of the Shanghai branch. Others contend that it was the name of the area where the original premises were located, although no trace of "Makalee" can be found on modern maps of Shanghai.

With the advent of China's open-door policy the bank's activities in that country have expanded with the opening of representative offices in Beijing, Guangzhou and Shenzhen. A fourth representative office is due to be opened in Zhenzhou. Coordinating the activities of the Shanghai branch and the representative offices in China is the bank's China Department, located in Hong Kong. This department, with its rapidly expanding team of specialists, also handles enquiries concerning China-related business from all over the world.

In addition the bank has agreed to become a shareholder in North China International Leasing Co., a joint venture to be based

in Dalian, engaged in leasing and installment credit activities. The choice of Dalian is particularly opportune in view of its status as one of the four cities earmarked for accelerated development from among the 14 coastal cities.

Dalian is situated at the southern end of the Liaodong Peninsula in Liaoning Province and is surrounded by the sea on

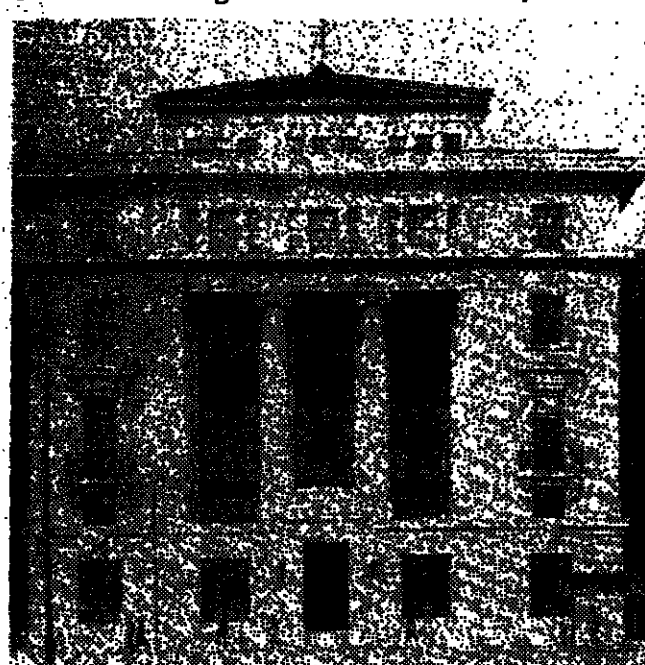
three sides, with the Bohai gulf to the west and the Yellow Sea to the east. It enjoys a relatively mild climate, with the sea ice-free throughout the year, and lies in a region with diverse agricultural resources. It is particularly renowned for its fruit, especially apples.

Dalian is the principal seaport for the major industrial region of northeast China and is the second largest port in the entire country. Industry is well-established and diversified, with the main activities being machine-building, petrochemicals and shipbuilding. Textiles are also important.

The Standard Chartered Group, which has its headquarters in the City of London, was formed by the merger of the Standard Bank and the Chartered Bank in 1969. Each of the constituent banks was founded more than 100 years previously, with the Standard Bank operating mainly in Africa and the Chartered Bank in Asia.

In 1979 the group acquired Union Bank in California and now has a network of over 2,000 offices in more than 60 countries, with its assets spread fairly evenly over four main operating areas: Europe (including the United Kingdom), the Middle East and Asia, Africa and North America. The group is also represented in Australia, Latin America and elsewhere.

The group provides a full range of financial services, including retail, corporate and merchant banking as well as such activities as installment finance and leasing, insurance broking, investment management, bullion dealing, metal broking, commodity trading, estate duty and tax planning. Merchant banking activity in China is handled by Standard Chartered Asia Ltd. in Hong Kong, whose Project Finance department has acquired considerable experience in setting up capital projects in China.



The Chartered Bank, as it was then known, circa 1923.



Already a landmark in Shanghai in 1928, an arrow marks the Bank building.

AMEX to Open New Office in Beijing

As of Nov. 1, American Express Travel Service offices in Beijing will relocate to street-level space in the Beijing Torontoo Hotel, according to Richard Weden, vice president of travel and card-related services in the Far East and Pacific regions. Blended with the new location, Weden notes: "We're right next door to the Jianguo Hotel and adjacent to street-level offices of three major airlines, and seven minutes by car from Tiananmen Square."

Weden claims AMEX is looking for additional space at the Lido, managed by Holiday Inn International, and the Sheraton Great Wall as well. "These are intended to be full-service offices for both incoming and outgoing travelers," Weden adds. "We will cater to both expatriates in Beijing and overseas people coming in. We're hoping to offer this in three cities within the next six to nine months."

American Express has been pioneering credit-card services in China, and already boasts about 270 service establishments who accept the card in about 30 cities of China.

"We've been targeting hotels," notes a very satisfied Weden, who has overseen the addition of over 50 hotels in nearly 30 cities since April of this year. In one memorable week in August, Weden notes, he had the special pleasure of accompanying the new president of travel and card-related services on his first trip to China in time to sign agreements with about half a dozen major hotels, many of which are managed by international groups.

"Our new area office president, Jim Li, is American-Chinese

and had never been to China. It was very moving to share the experience of it with him. It's also nice to have gone during a week when we could be the first credit card accepted by so many major hotels in China, and have our new president there to sign the agreements."

That week, according to Weden, agreements were sealed with the Lido, Jianguo and Beijing Torontoo hotels in Beijing, the Shanghai State Guesthouse—which is the first large hotelier to sign on with AMEX in Shanghai, having over 200 rooms—and the Rong Hu Hotel in Guilin. There are also the Golden Flower in Xian and the Garden Hotel in Guangzhou. The Sheraton Great Wall had set the precedent about three months before by agreeing to take the card, and the four American Express salespeople in China, under Thomas Lok, had been doing their homework in anticipation of their new president's arrival. As of Sept. 1 the American Express Card had a major presence in China's hotels and a commanding lead in the race to become the preeminent credit card in China. At the moment, it is the only one with a significant presence in the country.

A major strategy of American Express in China has been to develop continuous seminars and site visits and to sponsor delegations from the mainland to key AMEX marketing and training events. For instance, on Sept. 26, another large seminar is scheduled in Tianjin wherein local Bank of China managers and those of service establishments will be introduced to the concept of credit-card services.

Visits back and forth between AMEX and Chinese officials have become routine over the past year. For instance, during the week of Aug. 20 AMEX welcome 10 senior Bank of China managers from five different cities in China to a seminar in Hong Kong. In April of this year, AMEX invited three Beijing officials of the China International Travel Service (CITS) to the American Express world marketing meeting in Disneyworld, Orlando, Florida. They made a presentation on developments in China to over 500 travel salespeople.

November will see the visit of the new president of American Express Company, L.V. Gerstner, who was appointed to the post on Aug. 1. He is due to be accompanied by Richard Holbrook, managing director of Shearson Lehman Brothers Inc. and former American undersecretary of state in Asia.

Holbrook may be coming to finalize an agreement between the Friendship Company of the Beijing No. 1 Commercial Bureau and OS International Inc., the agent of Shearson Lehman in

Beijing, which has agreed to the construction of a hotel and office apartment complex in that city.

According to a report in China Economic News, the two parties came to the agreement at the end of June with a letter of intent to an investment of \$150 million for the two projects. The first is to be a 25-to-30-story five-star hotel, tentatively to be called the China-America Hotel. It will be built on the existing site of Beijing's Friendship Store on Jianguomenwai Street to total \$80 million.

The Beijing-American Express Building is the second phase: 30-story office/apartment complex to be built on the present site of International Store in the Sanlitun district of Beijing. The building is expected to meet international standards and is estimated to cost \$70 million.

China Consultants Thriving

Tom Gorman, whose Hong Kong-based company China Consultants International has long been offering Chinese-language communications services for overseas marketers, says that anyone who has ever participated in a multilingual negotiation knows how far the discussion can drift from the points intended. This is a situation in which he advises the use of skilled communicators in Chinese. Gorman's company has been providing various services built around the translation business for about 10 years.

China Consultants works with established specialist publishers as consulting editors to create Chinese-language editions. They translate and develop target audiences in China, and the specialist publication sells the advertising and provides the English-language editorial. They expect to produce about 10 different titles in 1985.

From this core business, they have developed into a document-processing center for sophisticated legal, technical and marketing promotion requirements of traders and exhibitors in China. Document-processing has become a major business for China Consultants, who employ about 50 people at their Hong Kong headquarters.

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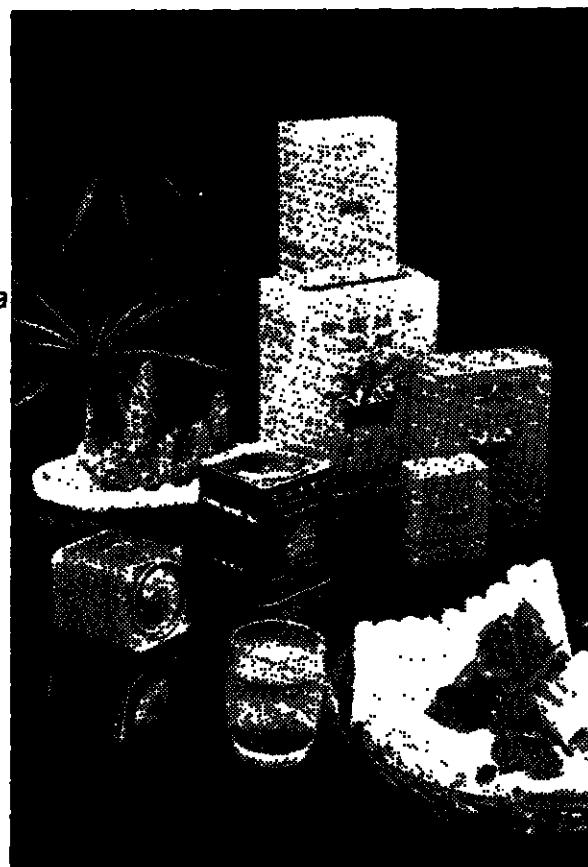
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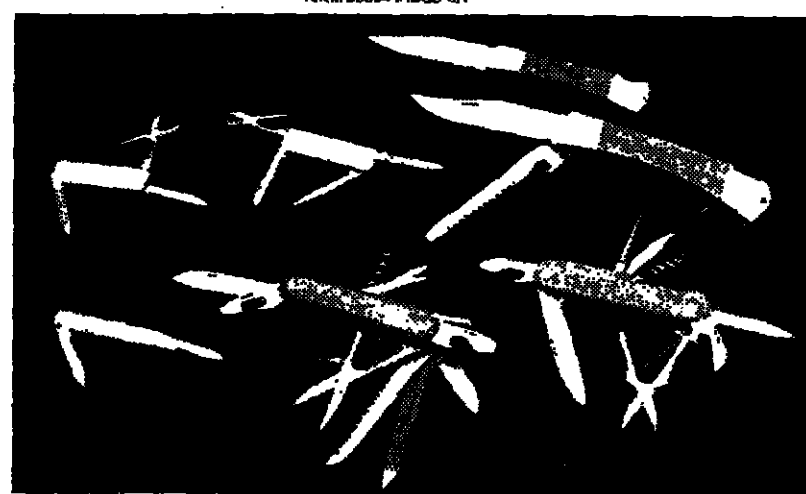
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The Great Wall Unfurls Its Five Stars Over Beijing

Managed by Sheraton, the Great Wall Hotel now offers accommodations in a residential suburb a few minutes from the central business district of Beijing and only 20 minutes from the international airport.

Each of the 1,007 tastefully furnished rooms has a scenic view, as well as individual climate control, color television with in-house video channels and Beijing's only 24-hour room service.

The first computerized room status system in the People's Republic of China provides an up-to-date display of current room availability.

The Capital and Dynasty suites are luxuriously decorated with Chinese antiques, paintings and even a baby grand piano. The suites have their own bars and kitchenettes and are spacious enough for business meetings, cocktail parties and dinners.

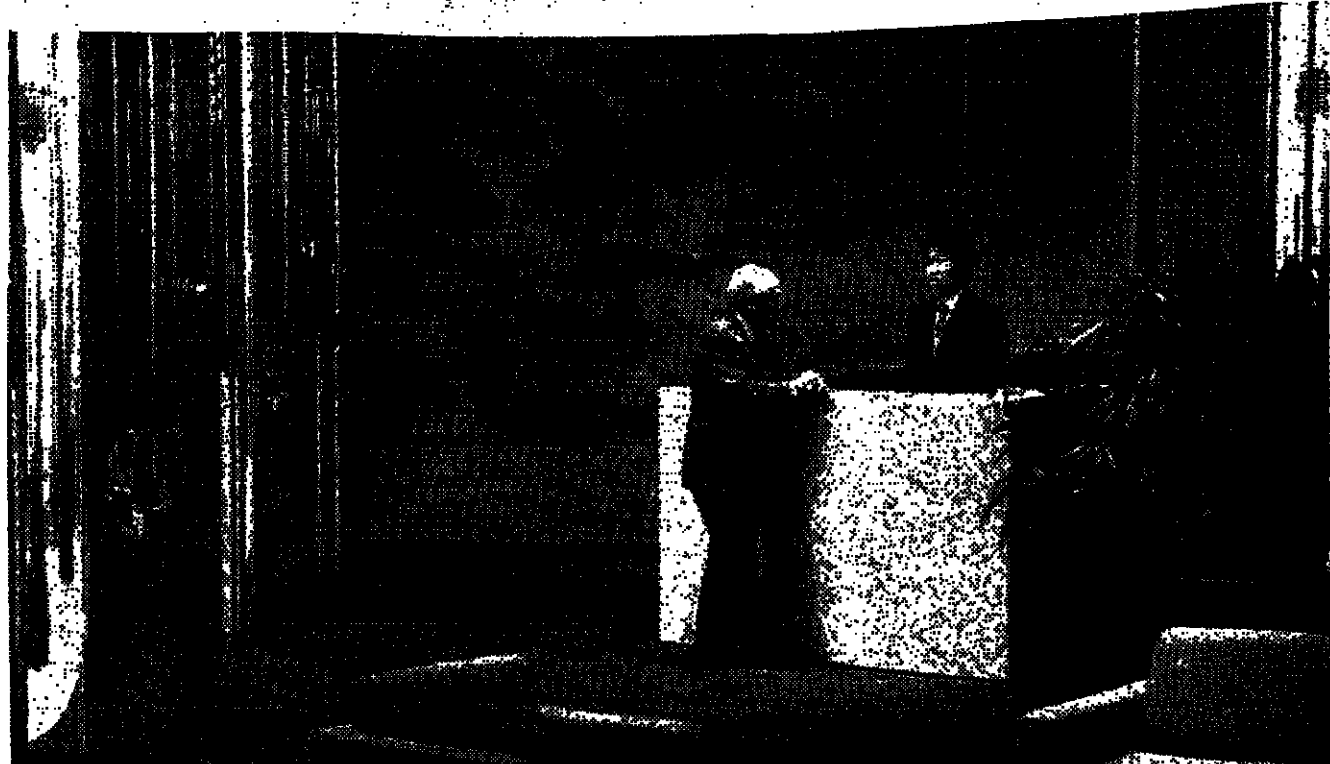
The VIP and Junior suites feature contemporary decor blended with traditional Chinese art treasures. Located on the

fourth, fifth and 18th floors of the hotel, the suites are large enough to hold business meetings in or entertain up to four people comfortably. The suites also feature a spacious work area designed with business in mind. Separate bedrooms are connected to the VIP suites.

With nine restaurants and lounges, the Great Wall Hotel is able to offer a spectrum of French, Sichuan, American and other cuisines.

The Executive Business Center has advanced communication equipment. Conference facilities and function rooms with complete banqueting and catering service for as few as 20 or as many as 1,600 are available.

The Great Wall Hotel has a modern health club equipped with saunas, steam baths and a gymnasium. Other facilities include an indoor swimming pool with its own snack bar, floodlit tennis courts and, for the more sedate, a theater and a billiard room.



The lobby of the Great Wall Hotel reflects the tradition of its namesake.

Learning to Live With the "Law of Value"

Continued from Page 1

durables this summer, which will make them much more expensive when they finally do reach the domestic market.

The government has already twice this year enacted interest-rate raises in an effort to slow runaway production growth—significantly, still using market mechanisms to reassert central control over the economy. They have also created rate-raises aimed specifically at rural industries in the newly opened "guided" sector of the economy, which is where much excess production is occurring. Problems here are acute: the Agricultural Bank had already reached its 2 billion yuan annual lending target halfway through this year.

Project approvals are also being more closely scrutinized in the four Special Economic Zones (Shenzhen, Shantou, Zhuhai and Xiamen), and only four of the originally opened 14 coastal cities will continue to receive high development priority: Shanghai, Guangzhou, Dalian and Tianjin. The other 10 are now to concentrate on improving their infrastructures.

Analysts with various national trade commissions in Hong Kong are unanimous in the view that, though China is undergoing traumatic adjustment problems after the reforms instituted last October, the reforms have weathered it remarkably well and have generally acted with sophistication and restraint. A test of this hypothesis was expected to come this month when the Communist Party's Fourth Planning Conference takes place to adopt China's seventh 5-year plan for the period 1986-1990. Reforms are helped by the group of younger, better-educated cadres who have been moved to senior posts in provincial government and party offices. Press estimates predict that newly-promoted provincial officials, who can be expected to support the reform movement, make up about a third of the 1,000 delegates to the conference.



Eels for sale at a free market.

While state economic planners grapple with questions like "Can a cadre-run enterprise be allowed to go bankrupt?" and "What would bankruptcy laws be like?" overseas interest in China continues to grow. Early this year Hill and Knowlton opened an office in the Beijing Toronto Hotel. Arnold Tucker, their regional manager for North Asia, says, "We have the best kind of problem you can have—so many inquiries that we must make time to service our clients a priority. For instance, we're very active in media relations. This is reflective of the decentralization process in China. At one time a person could visit three or four ministries; now there may be a thousand people to reach. The publicity function becomes important."

Analysts generally share the optimism of the newcomers making inquiries at Hill and Knowlton. Besides overseas businessmen who, trade observers say, will not be much affected by new controls unless they deal in consumer products intended for Chinese domestic markets, the Beijing public relations office receives dozens of résumés weekly from overseas students fresh from Asian Studies

programs in Chinese language and culture, hoping to participate in Asia's most exciting social experiment.

A key argument likely to be raised at this month's conference is whether the reforms are bogged down because the reforms have gone too far, gone too fast or because they've not gone far enough. Centrally retained foreign-exchange reserves went from about \$16.7 billion last October to virtual depletion at the end of March of this year (excluding borrow reserves, which are the excess of deposits over loans) and locally-held reserves have also dropped dramatically. Foreign economists estimate that China's inflation rate almost doubled from 8.5 percent in 1983 to 16 percent last year. Imports are up almost 70 percent and exports are down for the first six months of 1985 by 2.3 percent in visible trading, which accounts for up to 80 percent of the nation's foreign exchange.

New China Hands Service

Calling her European secretaries the New China Hands, Margaret Sullivan has opened what she claims to be China's first fully automated business center in Guangzhou's Garden Hotel. Sullivan, who operates two secretarial centers at Hong Kong headquarters as well, bills herself as the "China Supersec."

Sullivan is now preparing for the second of Guangzhou's biannual trade fairs (Oct. 15 to Nov. 5). She estimates an increase of at least 40 percent over the 2,500 assignments she handled for international businessmen during the Spring Trade Fair earlier this year. Sullivan is planning to open another two business centers in China before the end of the year, which will bring to five the total "Supersec" outlets in the Margaret Sullivan stable.

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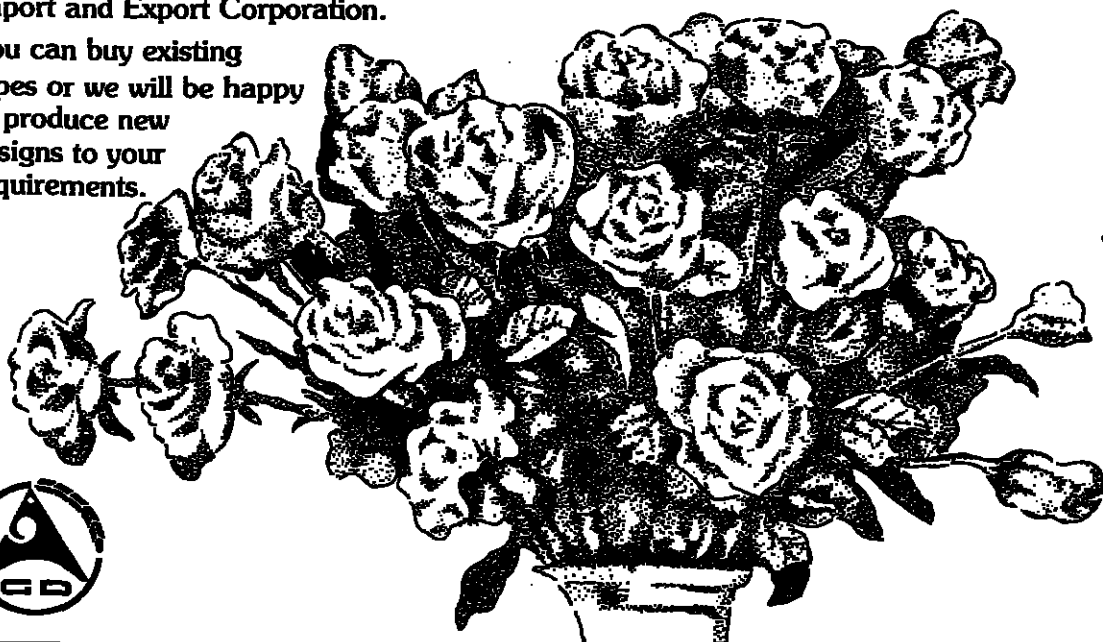
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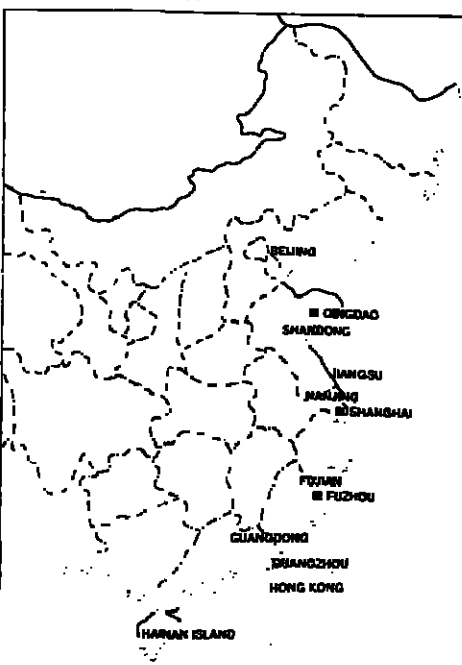


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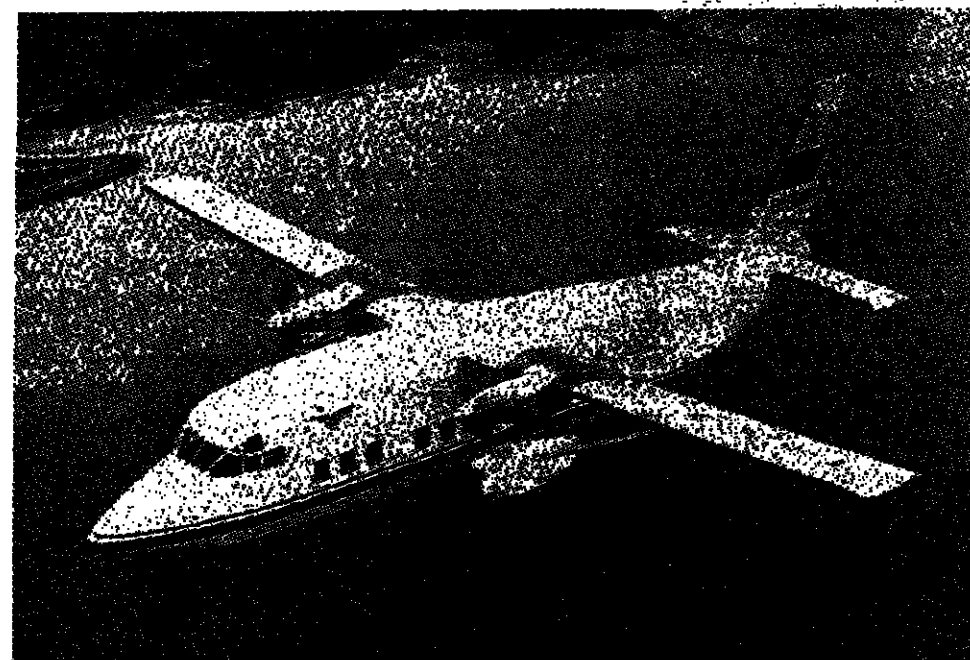


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NYSE	1,122.12	Down 1.12
AMEX	100.00	Down 0.00
NASDAQ	1,122.12	Down 1.12
NYSE	1,122.12	Down 1.12
AMEX	100.00	Down 0.00
NASDAQ	1,122.12	Down 1.12

WEDNESDAY, SEPTEMBER 11, 1985

INTERNATIONAL MANAGER

Paying Departing Workers
To Keep Company Secrets

By SHERRY BUCHANAN

International Herald Tribune

PARIS — Getting rid of executives can be an expensive proposition. To deter departing executives from harming their former employers, some companies exact restrictions, usually in exchange for generous negotiated settlements. But in both the United States and Britain, these tactics — which generally apply only to executives who have resigned or been dismissed — are legally questionable and sometimes difficult to enforce.

One form of corporate arm-twisting is to ask a departing executive to waive all future rights to sue the company. Another procedure, especially among high-tech companies, is to restrict executives from working for competitors.

Still another is to deny a departing employee access to company facilities once a termination agreement has been signed. In some cases, executives are met by a security guard if they set foot on company property after their departure.

Swain & Swain Inc., a New York-based employment company, surveyed 148 U.S. businesses to find out if employers who give more lucrative termination packages tend to demand more of the departing employee.

"As companies become more generous than they used to be, they are asking for some conditions in return," said Robert L. Swain, chairman of Swain & Swain. The firm seeks jobs for an average of 300 executives a year.

Twenty-two percent of the companies surveyed said that they believed they had become more generous with departing employees. Responding to another question, 41 percent said that they thought businesses in general "maybe" were becoming more generous.

TWENTY-FIVE percent of the companies surveyed require departing executives to give up their right to sue, 20 percent require an agreement not to work for competitors and 16 percent demand access to company facilities.

Those responding to the survey included banking, insurance, pharmaceutical, oil and gas, publishing and advertising firms. No similar survey has been conducted in Britain, but London-based financial counselors find a similar attitude toward departing managers among some British companies.

"In return for the money, the disclaimer says that you drop all claims against the company," said Peter Ellis, a financial counselor with Douglas, Deakin, Young Ltd. of London, which is retained by companies to advise departing employees on their termination agreements.

"Usually that happens when the payment is greater than the statutory payment stipulated for in the contract," Mr. Ellis said. "The company expects it in return." Termination papers generally are signed when the money is handed over.

"A company might or might not require an executive to waive rights for unfair dismissal," said John Staddon, a financial counselor with the London-based firm of J.F. Chown Ltd. "Where there isn't complete trust, a company will require a waiver in return for payment so the executive can't come back and sue them a week later."

Non-competitive clauses can be especially difficult to enforce. Courts in both the United States and Britain previously have taken the view that, if indeed it is valid for the company to include such a clause in a negotiated termination agreement, it must have geographic and time limits.

"Legally, very often a non-competitive clause is invalid," Mr. Staddon said. "What the company hopes is that it will act as a deterrent by scaring an employee and saying 'we'll get an injunction against you.' A lot of employers say it is not worth the paper it is written on."

More generous
companies now are
asking for some
conditions in return.

VW Sees
10%-Rise
In Sales

Hahn Predicts
Profit Increase

By Warren Getler

International Herald Tribune

FRANKFURT — Volkswagen AG expects to lift group sales above 50 billion Deutsche marks (\$16.9 billion) this year, exceeding 1984 revenue by about 10 percent, Carl H. Hahn, the managing board chairman of West Germany's largest automaker, said Tuesday.

Speaking on the eve of the International Motor Show here, Mr. Hahn declined to project 1985 profit, but said that it would be up considerably from last year's earnings of 228 million DM.

A major boost to 1985 earnings, he noted, should be the return to profitability of VW's Brazilian operations and an anticipated major reduction in the 348-million-DM loss reported last year by the company's office-equipment subsidiary, Triumph-Adler AG.

Most analysts expect VW to increase its dividend for the current year to 8 DM from 5 DM in 1984, but VW's chief would not be drawn out on the subject.

"We expect turnover to exceed 50 billion marks this year," Mr. Hahn said in an interview. "We can count on a minimum of 50 billion DM, but how much beyond that will depend on the future dollar-Deutsche mark exchange rate, which we think will stay in a range between 2.80 and 3 marks to the dollar."

Earlier, Mr. Hahn said that worldwide deliveries of VW and subsidiary Audi vehicles rose 11 percent to 1.6 million in the first eight months of 1985. He repeated an earlier projection that worldwide vehicle sales, boosted by the successful debut of the Golf II model that continues to stretch VW's plant capacity, would grow by nearly 12 percent to more than 2.4 million in 1985 from 2.15 million last year.

On news of the increase in deliveries and the company's favorable prospects, Volkswagen's share price climbed 5 DM Tuesday to close at 345 DM on the Frankfurt Stock Exchange.

Georg Hoeren, analyst at Westdeutsche Landesbank in Düsseldorf, said that his conservative estimate would put VW's net per-share earnings this year at 65 DM from 45 DM in 1984.

"Although VW appears set for steady profit growth, one has to ask the question: What comes after the Golf?" Mr. Hoeren said. "VW seems relatively fixated on one model, the new Golf, as they were

(Continued on Page 13, Col. 1)

Three Ways to Speed Up Computers

Vector Processing

Leading supercomputer systems like Cray Research's disassemble a program and group similar calculations together. Thus, hundreds of addition problems will be solved first, then hundreds of multiplication problems; and the results are later reassembled. Theoretically, tremendously high speeds can be attained, but because most programs are not easily carved up, only a fraction of the machine's processing power is ordinarily used.

Multi-Processing

Computers that can run several programs at once, each on a different processor. The advantage is that users need not wait as long before their program reaches the front of the "queue." Usually, however, the power of the processors cannot be harnessed together, meaning that multiprocessors are of little help in speeding up extremely long calculations.

Parallel Processing

Machines like the new Alliant computer carve up a single program into various parts, parceling them out to different processors in the system. Thus, calculations are performed simultaneously, until one processor must stop and await results from another processor working on an earlier portion of the program. Again, only some types of programs are suitable, but tremendously high speeds can be achieved for relatively little cost.

The New York Times

Faster Computers: A New Tack
Race Intensifies for Machines With Many Processors

By David E. Sanger

New York Times Service

ACTON, Massachusetts — For two decades, computer scientists have wrestled periodically with a seemingly obvious technique for greatly speeding up computers: Rather than funnel a vast amount of data through a single processor, design a machine in which a host of processors attacked a problem at once.

The result, they knew, would be like building an interstate highway to replace a clogged country lane.

But it never proved that easy. While it was possible to build multiple-processor computers that ran a number of programs independently, no one seemed capable of harnessing the power of several processors to a single task.

They were constantly tripping over one another, lying idle for a eternity of milliseconds.

Now, for the first time, a host of companies seem on the threshold of breaking the barrier of parallel

processing. The result, industry experts say, is an emerging generation of computers 2 to 10 times faster than top-of-the-line minicomputers, some approaching the power of small supercomputers.

"We are on the verge of a whole new way of thinking about building computers," said Ronald H. Gruner, the 38-year-old chief executive of Alliant Computer Systems Corp., among the most promising of a handful of parallel processing companies that have sprung up around Boston and Silicon Valley.

In an industry where technological revolutions are proclaimed weekly, Mr. Gruner's comments might be easily dismissed. But academics and industry experts alike say that he may be right, and that Alliant's new eight-processor FX-8 computer may breathe life into an industry that has seen little but layoffs and losses for the past year.

Alliant's allure lies in the ability of its first line of computers to run with little modification hundreds

(Continued on Page 13, Col. 5)

'New Wave' Trade Ideas in the U.S.

Economists Explore Protectionism as an Extreme Solution

By Nicholas Kristof

New York Times Service

NEW YORK — Although almost all economists remain aloof from the swelling political movement to curb imports, there are some who cite the results of complicated new research to contend that protectionism may at times be justified.

Dubbed "new wave," these findings erode the textbook notion that unrestricted trade is always the best solution. But experts emphasize that the findings endorse protectionism only in the most extreme scenarios, and the economists remain loath to be seen as granting a seal of approval to the broad calls for protectionism on Capitol Hill.

Their work has been almost entirely ignored in the fray in Washington over some 300 bills that would curtail imports of everything from Japanese televisions to Canadian logs. Those debates tend to pit ardent free traders against adamant protectionists, with neither side acknowledging the complexities of the dispute, economists say.

"Those of us who work on 'new wave' theory are very leery of pushing it too hard," said Paul R. Krugman, professor of economics at the Massachusetts Institute of Technology. "The research is very sensitive to precise details that are very hard to ascertain. And you don't want it to be used for catch-all arguments to protect everything."

For the most part, economists sneer at the groundswell of support for protectionism, which Mr. Krugman said "is taking place without any intellectual foundation at all." He added, "It's still very hard to find a reputable academic economist who has something good to say about protectionism."

But not impossible. Everyone agrees there are some exceptions to the doctrine of free trade; the critical question is how often these exceptions occur.

Roger E. Brinner, chief economist of Data Resources Inc., a consulting firm in Lexington, Massachusetts, is one of a minority of economists who says protectionism might be useful today. He favors giving the president authority to put a surcharge on imports from Japan, and his company conducted a study showing that a general import surcharge eventually could raise the United States' national income. Most other economists' studies of the surcharge have come to opposite conclusions.

"If anybody asked me to turn in my economist's card," Mr. Brinner said, "I'd say, 'let's get out of elementary economics. Let's go to a level where we can talk about optimal tariffs and bargaining power.'"

Optimal tariffs and the use of

protectionism as a bargaining chip, are among the exceptional circumstances in which the "new wave" economists cite. These "respectable" arguments for protection include:

• A country could use its bargaining power, threatening to close its own markets unless others open up to trade. The problem with this approach, according to Robert Z. Lawrence, a senior fellow at the Brookings Institution in Washington, is that "it's something like a nuclear deterrent — it only applies if it isn't used." In other words, it is a good bluff, but imposing trade restraints still is seen as a sure path to inefficiency and retaliation.

• In some circumstances, a country can apply "optimal tar-

iffs," which are duties on particular imports of which the country is a major buyer. The idea is that the importer can force down the price of the foreign good and save foreign exchange. However, this happens only when the importing country can affect a product's price significantly, and most studies suggest that in any case the optimal tariff would be fairly low.

• In an industry with only a few companies competing, a country could improve its living standard by imposing protection, if no one else retaliated. But administration of such a policy might require skillful, even Machiavellian, maneuvering that would be difficult to

(Continued on Page 13, Col. 4)

Consafe AB Files
For Bankruptcy
As Rescue Fails

By Per Isaksson

Reuters

STOCKHOLM — Consafe AB, the world's largest supplier of service and accommodation platforms for the oil industry, filed for bankruptcy Tuesday.

The company said its debt at the end of 1984 was 2.2 billion krona, to which should be added unrealized exchange-rate losses of 700 million.

The Swedish offshore group made the decision after its main creditor, the state-owned shipbuilder Svenska Varv, refused to change the terms on which it would participate in a rescue package.

Svenska Varv, which had demanded a new share issue to attract fresh capital, declined to accept an alternative plan put forward by six banks. Svenska Varv said the financing term was too short.

The Svenska Varv proposal required the sale of most rigs except floating hotel platforms. That and the new share issue would have greatly reduced the power of Consafe's founder and managing director, Christer Ericsson.

Sweden's only major firm in the offshore business, Consafe began negotiating with its creditors last July after announcing that it faced a severe cash crisis caused by overcapacity in the once-booming offshore business.

The bankruptcy does not apply to a few of the firm's subsidiaries. Consafe said the bankruptcy petition applied to the parent company and its offshore operating arm, Consafe Offshore AB.

It is the second bankruptcy to strike the Swedish shipping industry in less than a year.

Last December Saleninvest, the world's largest operator of refrigerator ships, filed for bankruptcy after its creditors, including banks and in particular the government of Sweden, refused to come to its aid. The ruling Social Democrats in Sweden, facing a crucial election Sunday, have criticized the non-Socialist parties who ruled Sweden from 1976 to 1982 for pouring government money into shipyards, steel producers and other ailing industries.

It said that the broadly defined money supply, known as M-3 and including cash and bank deposits, rose 2 percent last month. The aggregate has now increased 13.5 percent in the past year, well above the government's 5 percent to 9 percent target range.

The increase brought renewed concern that interest rates may rise again in order to bring the money supply under control and stabilize sterling.

The British pound has fallen almost 10 cents in a week as the dollar strengthened and oil prices appeared to be lowering.

Fear of Inflation
Fueled in U.K.
On M-3 Increase

Compiled by Our Staff From Dispatches

LONDON — One of Britain's key economic indicators, the amount of money in the economy, rose sharply in August to push the annual increase above target, the government said Tuesday.

It said that the broadly defined money supply, known as M-3 and including cash and bank deposits, rose 2 percent last month. The aggregate has now increased 13.5 percent in the past year, well above the government's 5 percent to 9 percent target range.

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(Reuters, UPI)

Currency Rates

Cross Rates	Sept. 10
American dollar	100.00
British pound	166.35
French franc	6.55
German mark	3.36
Italian lira	2036.27
Japanese yen	163.60
Netherlands guilder	3.60
Spanish peseta	166.35
Swiss franc	7.20
West German mark	3.36
Yen	163.60

Other Dollar Values	Sept. 10
Argentine peso	100.00
Australian dollar	1.00
Belgian franc	36.36
Canadian dollar	70.87
Danish krone	6.46
Deutsche mark	3.36
French franc	6.55
Italian lira	2036.27
Japanese yen	163.60
Netherlands guilder	3.60
Spanish peseta	166.35
Swiss franc	7.20
West German mark	3.36
Yen	163.60

Source: Reuters, 12:00 PM GMT. Dollar = 100.00. Other currencies in U.S. dollars. (a) American dollar. (b) British pound. (c) French franc. (d) German mark. (e) Italian lira. (f) Japanese yen. (g) Netherlands guilder. (h) Spanish peseta. (i) Swiss franc. (j) West German mark. (k) Yen.

Interest Rates

Key Money Rates Sept. 10	Sept. 10
1 month	7.75%
3 months	7.75%
6 months	7.75%
1 year	7.75%

Asian Dollar Deposits	Sept. 10
1 month	8.00%
3 months	8.00%
6 months	8.00%
1 year	8.00%

U.S. Money Market Funds	Sept. 10
1 month	7.75%
3 months	7.75%
6 months	7.75%
1 year	7.75%

Gold

Gold	Sept. 10
1 ounce	375.00
10 ounces	3750.00
100 ounces	37500.00
1 ton	375000.00

Mr. Franklin Jagodnik,
Deputy International Manager of
Banque de l'Union Europeenne

is joining Republic National Bank of New York (France) as Directeur General-Adjoint (executive Vice-President) of the French subsidiary in charge of International Business.

Mr. Franklin Jagodnik, a former Fulbright scholar recipient, is bachelor of arts from Beloit College (Wisc.) and a graduate from Institut d'Etudes Politiques de Paris.

These securities having been sold publicly, this announcement appears as a matter of record only.

Secondary Offering

August 1985

CDC canada
development
corporation

\$264,500,000 (Cdn.)

23,000,000 Common Shares

Price: \$11.50 (Canadian) per share
payable in two instalments of \$5.75 each
with the second instalment expected to be
payable on September 16, 1986.

Burns Fry Limited

Wood Gundy Inc. Dominion Securities Pitfield Limited McLeod Young Weir Limited

Richardson Greenshields of Canada Limited Lévesque, Beaubien Inc.

Pemberton Houston Willoughby Incorporated Geoffrion, Leclerc Inc.

Nesbitt Thomson Bongard Inc. Merrill Lynch Canada Inc. Midland Doherty Limited

Walwyn Stodgell Cochran Murray Limited Bache Securities Inc. Bell Gouinlock Limited

F.H. Deacon, Hodgson Inc. Odium Brown Limited Burgess Graham Securities Limited

Molson Rousseau Inc. Tassé & Associates, Limited Andras Canavest Hetherington Ltd.

Brault, Guy, O'Brien Inc. Brawley Cathers Limited Alfred Bunting & Co. Limited

Casgrain & Company Limited Davidson Partners Limited Gardiner, Watson Limited

John Graham & Company Limited Loewen, Ondaatje, McCutcheon & Company Limited

MacDougall, MacDougall & MacTier Inc. McCarthy Securities Limited

McDermid St. Lawrence Limited McLean McCarthy Limited McNeil, Mantha, Inc.

Moss, Lawson & Co. Limited Merit Investment Corporation Maison Placements Canada Inc.

Osler, Wills, Bickel Limited Peters & Co. Limited Scotia Bond Company Limited

Yorkton Securities Inc.

CURRENCY MARKETS

Dollar Eases Lower on Profit-Taking

Continued from Page 1

NEW YORK — The dollar fell slightly on Tuesday as traders took profits from the currency's recent rise. The market was generally quiet, with most operators waiting for fresh U.S. economic data, which were generally expected to confirm recent signs of recovery.

The dollar closed in New York at 2.950 DM, down from Monday's 2.951; at 2.4290 Swiss francs, down from 2.4320; at 8.9895 French francs, down from 8.9850, and at 243.0 Japanese yen, down from 243.75.

The British pound, buoyed by prospects of higher interest rates, rose to \$1.3110 from \$1.2970.

THE EUROMARKETS

Investors Seem to Be Awaiting New U.S. Data

By Christopher Pizze

LONDON — The Eurobond market ended little changed Tuesday, with operators seemingly unwilling to open fresh positions ahead of the release Friday of new U.S. economic data, dealers said.

The reports are to include retail sales and industrial production figures. The dealers said that prices were consolidating at the lower levels seen in the past couple of days, with some issues actually edging ahead on professional short-covering.

New-issue activity remained slow, with the feature being a \$150-million floating-rate note for Manufacturers Hanover Corp. led by Merrill Lynch Capital Markets.

The seven-year note ranks as senior debt and is callable after five years. It pays 7 1/2 percent over the mean of the three-month London interbank bid and offered rates, which some dealers felt was a little tight.

However, it was quoted on the when-issued market at a discount of 18 basis points, inside the total fees of 20 basis points.

In the dollar-straight sector, an \$80-million bond was launched for Nippon Kasei K.K., which dealers said was targeted primarily at Japanese investors. The seven-year bond pays 10 1/2 percent and was priced at 101 1/2. It was led by Nomura International Ltd.

The issue was initially quoted on the when-issued market at a discount of 1 1/2 percent total fees at a discount of 2 1/2. But, the price later tightened up to close at a discount of about 2 1/2.

The day's other dollar issue was the expected \$75-million bond for Marubeni Corp. The issue has equity warrants attached. The par price seven-year bond was led by Yamaichi International (Europe) Ltd. and has an indicated coupon of 7 1/2.

Final terms for this issue, which is guaranteed by the Fuji Bank

Ltd., will be fixed on Sept. 18. It was quoted on the when-issued market inside the 1 1/2-percent selling concession at a discount of about 2 1/2.

In other primary-market activity, Yamaichi International fixed the terms on the \$30-million bond with equity warrants for Sekisui Chemical Co. The coupon was set at the indicated 6 1/2 percent, while the exercise price of the warrants was fixed at \$15 per share.

Back in the secondary markets, dealers said trading in floating-rate notes tended to center on recent issues launched using the "mis-match" formula as the yield curve on period Eurodollar deposit rates has steepened in the past couple of days. Otherwise, selected issues added a couple of basis points in thin trading.

The dealers added that news on Tuesday that the U.S. Treasury asked Congress to raise the federal borrowing limit had no immediate impact on the secondary market here.

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'New Wave' Trade Ideas

(Continued from Page 9)

achieve in a democracy such as the United States, according to Mr. Krugman and others.

• If the marketplace is not working as it is supposed to, a country might interfere and emerge better off. For example, if a currency's strength is temporary, yet it causes companies to make long-lasting decisions to move abroad, then some say it makes sense to protect those companies from the currency effect.

The problem is that it is very difficult to know whether the currency's strength is merely temporary, and how to tell just those companies that might move abroad.

• A country might be willing to accept a small drop in its standard of living to preserve certain industries that it deems necessary for national security, such as shipping or steel. It could maintain these sectors through government subsidies or by protecting them from foreign competition.

A common argument, particularly in non-economic circles, against free trade is that it is a mirage, and so long as other countries protect their industries, the United States must do the same.

"I don't think pure free trade has ever existed anywhere in the world," said Rudolf A. Oswald, chief economist of the AFL-CIO.

"Clearly trade has always been restricted for national security reasons," he said. "And it would seem that national security would include certain industries that may be necessary for long-term stability of a country."

Most economists remain skeptical of the new wave. They tend to stick to the free-trade doctrine that has dominated the profession since before it was recognized as one, in the time of Adam Smith two centuries ago.

"There have always been several exceptional situations, in which a trade restriction or a subsidy might be to a country's advantage," said I.M. Desler, a senior fellow at the Institute for International Economics in Washington. "But they tend to be pretty hard to apply in practice."

BUSINESS PEOPLE

Amory Named Chairman at Petrofina SA

By Brenda Erdmann

LONDON — Jean-Pierre Amory, vice-chairman of Petrofina SA, has been named the company's chairman. He succeeds Adolphe Demeure de Lepaul, who died last month.

Mr. Amory, who is 60, joined the Belgian petroleum and energy products group in 1951. He is succeeded as vice chairman by Pierre de Tillese, also 60. Mr. Tillese joined Petrofina in 1948.

Both men were appointed managing directors of the Brussels-based company. They will meet regularly with a newly formed liaison committee made up of four board members — Baron Lambert, Sir Dermot de Trafford, Jacques van der Schueren and Luc Wauters.

Unleaver, the British-Dutch maker of foods, detergents and toiletries, said Francois-Xavier Ortolan has been appointed an advisory director. Mr. Ortolan is chairman of French state-owned Total Compagnie Française des Pétroles and a

former president of the European Commission. Ab-India has named Vinay G. Choudhary manager for Switzerland, Algeria, Morocco and Tunisia. Mr. Choudhary, who will be based in Geneva, succeeds Shantanu Mukherjee, who has returned to the airline's headquarters in Bombay to take up a senior management post in the marketing division. Mr. Choudhary was in New Delhi as the carrier's deputy manager for northern India.

Estee Lauder Inc., the New York-based maker of cosmetics and fragrances, has named Fred Langhammer to the new post of executive vice president and chief operating officer. He was general manager of Estee Lauder Germany. Hans Thalmann, who is president of Estee Lauder Italy, assumes additional responsibility for the German operations until a successor has been named for Mr. Langhammer.

Lockheed Corp. International has named Rudolph Perez as regional vice president-Europe and Africa, succeeding G.B. Methvin, who joined Lockheed-Georgia Co. Mr. Perez was LCT's area director for Europe with primary responsibility for Spain, Portugal and the Mediterranean countries. His successor has not been named.

Pfizer Inc. has appointed Claes de Neergaard deputy managing director. He succeeds Anders Grath, who has gone to the corporate division of the parent bank in Stockholm. Previously, Mr. de Neergaard was in Stockholm.

Austin Rover Deutschland GmbH, based near Düsseldorf, has named Jeffrey Johnson as managing director. He previously was in Britain as director of fleet operations for Austin Rover, a car making unit of B.L.P.C.

General Motors Acceptance Corp. has named Raymond A. Groo as European finance manager. Mr. Groo, who is based in Brussels, spent the past nine months managing borrowing at GMAC of Canada Ltd. He succeeds Paul D. Bull, who has moved to GMAC's

But it was Mr. Gruner's misfortune to lead Data General's North Carolina team, whose minicomputer project was killed when it proved too late and too expensive for the company to market. The internal battle over the fate of that project caused a wave of departures at the company. By 1982, after a 13-year career at Data General, Mr. Gruner decided that he, too, was ready to strike out on his own.

He quickly drew in Craig J. Mundie, a software expert and member of the North Carolina project. For six weeks the two worked themselves in the computer science library at the Massachusetts Institute of Technology, poring over a decade's worth of scientific papers.

"We knew we wanted to start a company," Mr. Gruner said recently, describing his searches through stacks of articles. "We just needed the germ of an idea."

The germ emerged from the work of David J. Kuck, a professor at the University of Illinois at Champaign-Urbana, and widely

regarded as one of the world's leading experts on supercomputers. Soon after they wooed the professor as a consultant.

Mr. Kuck's pragmatic approach, a conviction that existing computer programs could be reorganized so that they lend themselves to attack by multiple processors simultaneously, proved irresistible to some of high-technology's leading venture capitalists.

Hambrecht & Quist Inc. and Kleiner, Perkins, Caufield & Byers, both of San Francisco, and Venrock, the Rockefeller family's venture capital group, contributed \$14.8 million in two rounds of financing.

Money in hand, Alliant's founders raided Digital Equipment Corp., Prime Computer Inc. and Data General for top engineers.

The result, Alliant says, is that it has already shipped six parallel-processor systems, costing from \$270,000 to \$1 million each. But it refuses to make predictions about revenues or earnings.

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Midland Bank to Open Milan Branch Office

International Herald Tribune

LONDON — Midland Bank PLC, Britain's third largest, was given approval by the Italian government to open a Milan branch, the bank said Tuesday.

Massimo Cagliani, currently a senior manager at Banca Commerciale Italiana, will become its manager. Midland will convert its Midland International Trade Services office in Rome into a group representative office.

Detroit head office as assistant director of overseas and Canadian borrowings.

Smith Barney, Harris Upham International Inc. has appointed Minoru Itoh as branch manager of its Tokyo office. Smith Barney Inc. of New York is a holding company whose main subsidiary is the investment banking and brokerage concern of Smith Barney, Harris Upham & Co.

Developing a Faster Computer: The Race Takes a New Tack

(Continued from Page 9)

of existing programs, mostly software designed for Digital Equipment Corp.'s powerful VAX minicomputers. Until now, most parallel processors have required entirely new programming.

Whether the FX-8's capability will propel Alliant to the top along Route 128, the computer belt around Boston, is far from certain. As makers of personal computers and mainframes alike have learned, the link between successful technologies and successful companies is tenuous at best.

But one advantage is the tremendous interest of U.S. Defense Department. Both the Defense Advanced Research Projects Agency and the office involved in the research into a space-based missile defense, the Strategic Defense Initiative, are pouring millions of dollars into parallel-processing research.

Any successful effort to track and destroy thousands of Soviet missiles, they say, could require

systems of 1,000 to 10,000 processors.

Others are joining in, though often reluctantly. International Business Machines Corp. says it is doubtful that any major change in computer architecture is in the offing, because of the compatibility problems it would create for mainframe and minicomputer users.

But it has built an experimental parallel processor in its research laboratory in Yorktown Heights, New York, and last month it gave \$2.6 million to New York University to further refine the design.

The complex task of designing computers that can make the most efficient use of multiple processors at once is quickly absorbing some of the best talent in the industry. First among them is Mr. Gruner, Alliant's chief executive.

A tall, soft-spoken Oklahoman who never took a computer science course, Mr. Gruner left college in 1969 to join Data General Corp. and quickly rose to become its top computer architect.

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He quickly drew in Craig J. Mundie, a software expert and member of the North Carolina project. For six weeks the two worked themselves in the computer science library at the Massachusetts Institute of Technology, poring over a decade's worth of scientific papers.

"We knew we wanted to start a company," Mr. Gruner said recently, describing his searches through stacks of articles. "We just needed the germ of an idea."

The germ emerged from the work of David J. Kuck, a professor at the University of Illinois at Champaign-Urbana, and widely

regarded as one of the world's leading experts on supercomputers. Soon after they wooed the professor as a consultant.

Mr. Kuck's pragmatic approach, a conviction that existing computer programs could be reorganized so that they lend themselves to attack by multiple processors simultaneously, proved irresistible to some of high-technology's leading venture capitalists.

Hambrecht & Quist Inc. and Kleiner, Perkins, Caufield & Byers, both of San Francisco, and Venrock, the Rockefeller family's venture capital group, contributed \$14.8 million in two rounds of financing.

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Others are joining in, though often reluctantly. International Business Machines Corp. says it is doubtful that any major change in computer architecture is in the offing, because of the compatibility problems it would create for mainframe and minicomputer users.

But it has built an experimental parallel processor in its research laboratory in Yorktown Heights, New York, and last month it gave \$2.6 million to New York University to further refine the design.

The complex task of designing computers that can make the most efficient use of multiple processors at once is quickly absorbing some of the best talent in the industry. First among them is Mr. Gruner, Alliant's chief executive.

A tall, soft-spoken Oklahoman who never took a computer science course, Mr. Gruner left college in 1969 to join Data General Corp. and quickly rose to become its top computer architect.

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SPORTS

Week's Soccer Matches Determine the Strong

LONDON — The shape of Europe's soccer challenge for the 1986 World Cup still has all the clarity of an amble.

With nine months to go only Hungary and Italy are assured of the 14-out of 24 places Europe hopes to fill. But hectic and decisive days are coming.

Between now and mid-November will be revealed, starting this week with six matches that can make or break four years of planning.

The instability of soccer is such that France, champion of the conti-

ROB HUGHES

nent and potentially world master of the creative arts of the game, is becoming fairly desperate to even reach Mexico.

Defeat for the French in East Germany on Wednesday would leave Michel Platini and company struggling behind the Group Four leaders, Bulgaria and Yugoslavia, despite the apparent advantage of home games to come in Paris.

In truth, France, having had everything its own elegant way throughout 1984 — everything on French soil — has begun to unravel. Inspiration deserted *les bleus* in Sarajevo, where they held out for a goalless draw against Yugoslavia, and in Sofia last May where they were drawn into an ill-advised roughhouse and soundly beaten in a 2-0 defeat.

East Germany is neither as hard or as competent as Bulgaria, yet France should outwit such teams with a flourish, not stoop to scrambling for dangerous draws.

Three men — none of them Pla-

ini, who must be careful after being booked for dissent in Sofia — hold the key. While we are all hypnotized by the midfield, we forget how the recent solidity of French defending has liberated those talents.

You cannot create with abandon if you are looking over your shoulder. Yet, suddenly, unnecessarily, the French defense invents its own discord.

Time was when Maxime Bossis and Patrick Battiston happily lined up in the same defense. Now those fullbacks are bolting for the same hole, as sweeper. Bossis, recently appearing, has possession of the spot but Battiston says he will wait; he plays sweeper, his new club position, or nowhere.

In midfield, the French must welcome back with relief Alain Giresse, the marvelous little pocket general who has just played his 500th game for Bordeaux. Without Giresse, France lost its rhythm in Sofia; without Giresse, Platini is a less flamboyant match winner.

And in attack, barren even while the midfield was winning the European Championship, there is new — or rather resurrected — hope that Dominique Rochesteau is nearing full blossom as a goal scorer. So delicate, so special a talent when the mood and the limbs are sound, Rochesteau appears to be a born again marksman now that Paris Saint Germain tops the French League.

Meanwhile, Poland and Belgium play the deciding match of Group One. The winner goes to Mexico, the loser faces Holland in a playoff.



Patrick Battiston: sweeping dissent on the French team.

The draw favors Poland on goals scored.

It will be tight, negative and painful for opposing catalysts Zbigniew Boniek and Enzo Scifo. Boniek, Poland's captain, has the experience and the form of his sparkling debut for Roma last weekend. Scifo leans on the experience around him but keeps doing what is expected of a boy asked to inspire men, including taking on the pivotal role of Belgium's 2-0 victory over Poland in Brussels last May.

That came just before the Heysel Stadium tragedy that took 39 lives. It is perhaps as well that the return match will be played in Poland, away from the shadow of Heysel which, with ghoul-like insensitivity, is apparently now open to coach loads of tourists who come to see block 2, the wall of death.

That shadow hovers menacingly over Britain, where two World Cup qualifiers are to be played. Tuesday, Wales was to meet Scotland in a Cardiff stadium wired and armed with all manner of grotesque measures intended to keep the clans apart.

The match itself promised heated passions, every bit as much a decider as in Poland but with added fuel. Scotland sought revenge for a home defeat by the Welsh, and Wales nursed a longer grievance. In a similar qualifier in 1977, a French referee gave Scotland a penalty and the match — for a handball seen by most to be a Scottish hand.

England, a short stride from the finals, entertains Romania at Wembley on Wednesday. Entertainment may be diametrically opposite to what takes place.

The repercussions of the Brussels tragedy means that no alcohol will be served to help anyone get over what, in prospect, is the most boringly negative match of the year. What England did to Romania in Bucharest — a numbing 0-0 match — and what Romania has achieved on its last two visits to London — more frustration — prompted the BBC to rule out live television coverage as of insufficient interest.

The low attendance may support this view. Romania comes reinforced with extra defenders. England's response is to emphasize the importance of not losing, to drop Ray Wilkins and insert the more fiercely competitive Peter Reid.

This, I suspect, means special attention to 20-year-old George Hagi, the one genuine Romanian creator, whose space will be limited and who might anticipate a rather physical price for attempting anything fancy.

Sure, it's only a game they are playing. Tell that to Northern Ireland, still clinging to hope in England's group. The Irish must win in Turkey (where everybody does anyway) but are trembling at the thought of a defeat that would cost £500,000 (\$659,000).

Finally, in Switzerland, the southern Irish and the Swiss compete more in hope than in anticipation in a group expected to be won by Denmark, with the Soviet Union second.

Mexico still beckons the majority of Europeans. But by next week that majority will have been diminished as teams on the fringe discover they have lost what it takes to create life in nine months.

Angels Rout Royals, Trail Only a Half-Game

Compiled by Our Staff From Dispatches

ANAHEIM, California — Just when everybody was beginning to call them the fallen Angels, the erstwhile leaders in the American League's West Division have risen again.

Monday night, behind the two-hit pitching of John Candelaria and Doug Corbett, the California Angels whipped the first-place Kansas City Royals, 7-1, in the first game of a three-game series. Craig Gerber drove in three runs as the Angels, who had led the division for more than two months, closed to a half-game of the Royals.

"Maybe tonight set the stage for the rest of the series," Candelaria said. "We didn't play well on the road, but this is a nice way to start the homestand."

The Angels have won 23 of their last 30 home games. The loss snapped Best Sabe's seven-game winning streak and put an end to the Royals' eight-game winning streak.

Candelaria struck out four and did not walk a batter over eight

innings in winning his third straight. He gave up both hits, Hal McRae's second-inning double and Darryl Motley's home run in the eighth.

"We were talking the other night, 'Let's hope it's a nice cool evening out in Anaheim,' so the big man can go a few innings," said the Angels' manager, Gene Mauch. "That's exactly what happened."

Blue Jays 5, Tigers 3: In Toronto, rookie Cecil Fielder hit a tie-breaking homer in the second inning against Detroit, and George Bell and Garth Iorg each homered in the eighth, helping the Blue Jays protect their 1½-game lead over the Yankees in the AL East. A four-game series between the teams starts Tuesday in New York.

Yankees 9, Brewers 4: Mike Pagliarulo and Don Mattingly each got four hits in Milwaukee, with Pagliarulo's two-run single breaking a tie in the 10th when New York scored five runs. The Yankees have won 10 straight, their longest streak since 1968.

Twins 5, White Sox 0: Gary

BASEBALL ROUNDUP

Gaetti hit two homers in Chicago, both to deep center, and John Butcher pitched a four-hitter for Minnesota, which has won all four games this year in Comiskey Park.

Mariners 8, Indians 7: In Seattle, Gorman Thomas, who earlier hit his 30th homer to break the club record, drove in the winning run against Cleveland in the 12th with a ground ball to left field that was recorded as a fielder's choice; second base was tagged after the run scored.

Rangers 3, A's 1: Wayne Tolleson tripled and doubled in Oakland and scored both times on singles by Don Slaught to help Texas break a six-game losing streak. The loss was the sixth straight for the A's.

Cubs 3, Cardinals 1: In the National League, St. Louis dropped its third straight and fell into a tie for first place in the East after losing to another left-handed pitcher, Chicago's with Ray Fontenot. The Cardinals and the Mets, who were

idle Monday, begin a three-game series Tuesday in New York.

St. Louis is 23-22 against left-handers this season. Fontenot pitched five and one-third innings, scattering six hits, then Jay Baller checked the Cardinals until, with two out in the ninth, he allowed two singles. But left-hander Ron Meridith relieved and threw one pitch to Ivan DeJesus, who tied to right to end the game.

The Cubs took a 2-0 lead in the top of the first inning. Bob Dernier led off with a walk, stole second, advanced to third on Gary Matthews' single and scored as Ryan Sandberg grounded out. Keith Moreland singled in Matthews.

Vince Coleman beat out an infield single leading off the bottom of the first, was balked to second, stole third — his 92d steal of the season — and scored on Tommy Herr's grounder. But that was it for the Cardinals.

Herr, who has hit only four homers this season, now has 91 RBI — third best in the NL. The last major-leaguer to drive in 100

runs and hit less than 10 home runs was the Detroit Tigers' third baseman George Kell, who drove in 101 and hit eight homers in 1950.

Reds 2, Padres 1: Dave Concepcion's third hit, a single up the middle with two out in the bottom of the ninth, scored Dave Parker from second base to beat San Diego. Pete Rose, one hit shy of breaking Ty Cobb's record, did not play, but is scheduled to start Tuesday night against San Diego right-hander LaMarr Hoyt.

Astros 4, Giants 2: Mike Scott pitched seven innings in Houston for his 16th victory and Kevin Bass and Phil Garner each got three hits against San Francisco.

Dodgers 9, Braves 7: Pinch-hitter Franklin Stubbs and Mike Marshall each hit two-run singles during a five-run eighth that gave Los Angeles its victory in Atlanta.

Brian Holton, in his major-league debut, got credit for the victory even though the only batter he faced, Terry Harper, got a two-run single that put the Braves ahead in the seventh. (UPI, AP)

SCOREBOARD

Baseball

Monday's Major League Line Scores

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Hugh Green of Tampa Bay used a portable air conditioner to cool off during Sunday's NFL game against the Bears in Chicago, as the temperature on the playing field reached 121 degrees Fahrenheit. Not only that, the Buccaneers lost.

Jackson Takes Hard Swing at Drug Users

By Scott Ostler

Los Angeles Times Service

LOS ANGELES — Reggie Jackson was back in his old form, this time in a boxing ring, at Palm Springs, California. The baseball player was storming around the California Angels' clubhouse, waving a newspaper.

It was a sports section, featuring a story on Hollywood Henderson, the former football player, and his drug-related problems.

"Every day we come to the ballpark, pick up the paper and see Quinn Dailey, John Lucas, Joe Pepitone, Denny McLain, Hollywood Henderson, on the front of the sports page. What do you have to do to get your name in the paper? Be a negative for society, a detriment to the community?"

A lecture on the definition of news, of the social value of presenting negative stories because, by informing, we may help other people avoid the pitfalls of life, was cut off.

"Yes, it's newsworthy, but I don't think it deserves a big splash. And I guess I got resentful when I read about a guy telling me how he's reformed now, how he lost it, how he almost died. I mean, come on. You had the same chance we all had. We've all had our chances to buy drugs, squander our money, hang out till 5 in the morning."

So what did he want in the paper, nothing but nice stories? "Why not write about a Rod Carew or a Bob Boone, a success story, rather than dwelling on people that have been failures with handling their lives and handling success? It's not that I think athletes need to be pat on the back, because we get enough of that, enough being pampered. But it sure would be beneficial to the youths, to young athletes."

Jackson continued: "They need to hear they should stay away from drugs, because it's not good for your health, it's not good for you financially, it's not good for your family, it's not good for you socially, it does nothing for you intellectually, and there are no vitamins in it."

"Kids need to hear that from an idol. Here's Hollywood Henderson saying he had looked for a high, was trying to recapture a wonderful feeling. Well how about the feeling of winning a game, the feeling of being around a friend, the feeling of love with your parent?"

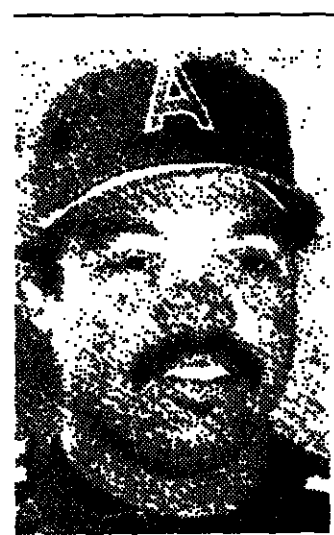
"Talk to the people that never got involved with drugs and find out why they didn't. I really don't care to listen to a rehabilitated person. That may be wrong, it may be prejudiced, it may be hard. But I really don't care to listen to them."

"I cannot say that I've never tried drugs. But I sure learned at a young age that it is not the damn thing to do. I can say that I've never even seen cocaine. I cannot say I've never seen marijuana, that would be a lie. I haven't seen a lot of it, but I've sure seen it."

The next time Berra said he spotted Strone was in the Pirate locker room at Three Rivers Stadium, where the catcher apparently had gained access through his friendship with Lacy and Parker.

"I saw him talking to Dave Parker in the clubhouse and before the game I saw him standing in the hallway," said, "Hello, my manager, Chuck Tanner, said, 'Don't talk to that gentleman.'"

Later, Berra said, Parker called him into his hotel room "and said, 'Does this answer you?' He had



"I get resentful when I read about a guy telling me how he's reformed, how he almost died. We've all had our chances to buy drugs."

Reggie Jackson

me more, because I feel that the privilege of making the kind of money blacks have the opportunity to make in sports is a greater privilege because, on the outside world, the percentage of us making this kind of money and bettering our families is just not there.

"When I was 19 years old, a man from Alabama," Charles Finley, then owner of the Oakland A's, "walked up to me and gave me \$94,000. My father was making \$90 a week. I had never seen a full tank of gas in his car. How many people would like to start out at the age of 19 with \$100,000? That's a lifetime dream. And so respect that dream."

Newspapers, Jackson said, should let the public know what is going on, "but the public's also got to be reminded that it is a minority of players doing these things. I go out in public now and introduce myself as a professional athlete, I feel like I have to prove that I'm not a drug addict."

"I'm sure there are great stories about drugs. Like the story of Bernard King, a guy who really has turned around. I know that's a good story. But like I said before, just because you stop at the drug center in Orange County and have lunch, I don't want to read 6,000 words on how you reformed. Please."

"I would say in all honesty I have been curious, but not curious enough to take that step."

"And you know, I don't know what the hell's wrong with our court system. Baseball player gets stopped for speeding, drunk driving, cocaine, marijuana. He gets off. No! I'm 25 years old and making \$50,000 a year. I get five charges against me. I get off. And I'm a two-time, three-time offender? Not And I'm still getting paid, \$75,000 a month. Now, are you gonna tell me that I'm wrong? I can't be wrong. I got off, didn't I?"

"How about a little punishment? How about a little reminder? If I'm out a month's salary, it's gonna cost me 200 grand. I'm gonna think about it next time, aren't I?"

"One of these days, I'm probably gonna wind up in someone's baseball front office. Okay, I bust you two or three times with drugs. I send you to a rehab center. I hold press conferences for you, I take peoples' time. I sit down and converse with you. Try. I send you to a psychiatrist. I send you to a doctor. I pay for your medical bills. And I pay for \$500,000 a year. Gee, do you think once in a while I can test you, to make sure you're clean?"

"Now you want to sue me for your personal rights. Don't I have rights? I'm paying you half a million a year, ain't I? So yeah, I do believe in testing. I think if you gonna test a guy like Rod Carew or Brian Downing, a model citizen, no, you shouldn't do that. But if I give you reasonable cause, I don't think there's anything wrong with it. When you've shown me that you've lied to me, deceived me, don't I have a right to test you?"

"Another thing that bothers me, as a black man, I'm very hurt that most of the people I read about involved with drugs are black. I am deeply hurt by that. I don't say you owe me anything, but you owe God a fair shake."

"I'm not angel. I'm not asking anybody to be a saint. But I am hurt by the

